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United Nations Capital Development Fund

Financial report and audited financial statements

for the year ended 31 December 2013

and

Report of the Board of Auditors

United Nations • New York, 2014

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal and certification

Letter dated 30 April 2014 from the Managing Director and the Executive Secretary of the United Nations Capital Development Fund and the Assistant Administrator and Director and the Chief Finance Officer/Comptroller of the Bureau of Management of the United Nations Development Programme addressed to the Chair of the Board of Auditors

Pursuant to financial regulation 26.01, we have the honour to submit the financial statements of the United Nations Capital Development Fund (UNCDF) for the year ended 31 December 2013, which we hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

We, the undersigned, acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and include certain amounts that were based on management's best estimates and judgements;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with appropriate segregation of duties. Internal auditors of the United Nations Development Programme (UNDP), who provide internal audit services to UNCDF, continually review the accounting and control systems. Further improvements are being implemented in specific areas.

The management provided the Board of Auditors and UNDP internal auditors with full and free access to all accounting and financial records.

The recommendations of the Board of Auditors and UNDP internal auditors were reviewed by management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(*Signed*) Helen **Clark**
Managing Director
United Nations Capital Development Fund

(*Signed*) Marc **Bichler**
Executive Secretary
United Nations Capital Development Fund

(*Signed*) Jens **Wandel**
Assistant Administrator and Director
Bureau of Management
United Nations Development Programme

(*Signed*) Darshak **Shah**
Chief Finance Officer/Comptroller
Bureau of Management
United Nations Development Programme

Letter dated 30 June 2014 from the Chair of the Board of Auditors to the President of the General Assembly

I have the honour of transmitting to you the report of the Board of Auditors on the financial statements of the United Nations Capital Development Fund for the financial year ended 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Capital Development Fund (UNCDF) for the year ended 31 December 2013, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the cash flow statement (statement IV), the statement of comparison of budget and actual amounts (statement V) and the notes to the financial statements.

Management's responsibility for the financial statements

The Managing Director is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Capital Development Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations Capital Development Fund that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the financial regulations and rules of the United Nations Development Programme (applicable to the United Nations Capital Development Fund) and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Capital Development Fund.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom of
Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Capital Development Fund (UNCDF) for the financial year ended 31 December 2013. The audit was carried out in May 2014 and involved a review of the financial statements and operations at UNCDF headquarters in New York.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements of UNCDF for the year ended 31 December 2013. The Board's opinion is included in chapter I of the present report.

Overall conclusion

The Board noted improvements made by UNCDF in terms of the preparation and presentation of its financial statements since the adoption of IPSAS in 2012. Some deficiencies were noted in relation to the measurement, recognition and disclosure of items in the financial statements, such as the treatment of internal reserve funds and offsetting maturities of investment amounts with the realized gain. These deficiencies were corrected, and the Board does not consider them to have a material impact on its opinion. The Board considers that UNCDF should continue to improve the overall process of financial statement preparation to enhance the organization's capacity in this area.

Also, the Board noted that UNCDF had not formally implemented methods and processes for identifying and managing risks and controlling deficiencies in project management and results-based budgeting.

Key findings

The Board highlights the key findings set out below.

Enterprise risk management process

The Board reviewed the enterprise risk management process at UNCDF, and noted that there were no formal methods and processes in place to identify and manage risks in compliance with the enterprise risk management policy framework. UNCDF has its own internal tool for monitoring risks, with a rationale to ensure that programme delivery and financial delivery are tracked systematically. But the tool only tracks and monitors compliance in line with thematic areas in UNCDF programmes. No risks have been formally identified and documented, nor is there an action plan in place to mitigate risks. The Board is concerned that UNCDF will not be able to identify, manage and monitor a broad spectrum of risks facing the organization, which may impair the successful achievement of its organizational objectives.

Project management

The Board noted various discrepancies related to project management, including the following:

(a) *Preparation and signing of quarterly combined delivery reports*. Combined delivery reports for the first, second and third quarters for projects at the Rwanda country office had been signed and submitted on 15 October 2013. This meant delays of six and three months for the first and second quarters, respectively. At the Malawi country office, only an annual combined delivery report had been prepared, with no evidence that quarterly combined delivery reports had been prepared during the year. The purpose of signing quarterly combined delivery reports between UNCDF and implementing partners is to certify project expenses. The absence of quarterly combined delivery reports undermines management's ability to effectively monitor the use of funds by third parties, increasing the risk that fraud may not be detected in a timely manner or that value for money will not be achieved;

(b) *Operational closure of trust fund projects and transfer of assets*. The Fund's Programme and Operations Policies and Procedures require that a project be financially closed in the system after 12 months of operational closure. At the Rwanda country office, the Board noted that a community development support project was inactive, with a financial closure status indicated in Atlas, but had not been operationally closed. Some 23 assets for this project, valued at $22.86 million, had been handed over to the Government, but there were no equipment transfer documents, as required by the Programme and Operations Policies and Procedures. Transferring assets without certification of delivery to the intended beneficiary increases the risk that losses will occur without detection by management;

(c) *Unaudited projects*. The Board reviewed seven projects at the Uganda country office. It noted that, of three projects entailing expenditure of $3.7 million in 2012, two had already been closed and had not been audited. This is contrary to the instructions issued by the Office of Audit and Investigations which require that projects that entail cumulative expenses of $300,000 during a particular year and that have not been audited at least once in their life cycle be included in the annual audit plan. The Board is concerned that a failure to audit the projects as required leaves UNCDF without adequate assurance as to the propriety of the related financial information and as to whether funds have been used for the purposes intended.

Results-based budgeting

At the Uganda country office, the Board noted two cases in which annual workplans had been prepared without using the standard template. The annual workplan for one project had no performance indicators, baseline data or targets, and also lacked activity results and actions. In addition, the workplan did not include the time frame on a quarterly basis as required by the results-based-budgeting framework. Similar cases were noted in the Rwanda country office in the projects for gender-equitable local development and building an inclusive financial sector in Rwanda.

Recommendations

The Board has made a number of detailed recommendations based on its audit that are contained in the main body of the present report. The main recommendations are that UNCDF:

Enterprise risk management process

(a) **Adopt and fully implement an enterprise-wide risk management process for planning, monitoring and evaluating the stages of its programmes and operational activities, in line with its enterprise risk management framework;**

Preparation and signing of quarterly combined delivery reports

(b) **Require all country offices to prepare combined delivery reports and ensure that they are signed by counterparts in a timely manner, in accordance with the requirements of the Programme and Operations Policies and Procedures;**

Operational closure of trust fund projects and transfer of assets

(c) **Close its completed projects in a timely manner, as stated in the Programme and Operations Policies and Procedures, and obtain from the beneficiaries a certified receipt of the transferred assets to avoid any risk of losses occurring without management detection;**

Unaudited projects

(d) **Improve its assurance of financial information by auditing any project entailing cumulative expenses of $300,000 during a particular year, in accordance with the requirements of the Programme and Operations Policies and Procedures;**

Results-based budgeting

(e) **Prepare complete annual workplans with performance indicators, baseline information and targets to conform with the results-based-budgeting framework required by the Programme and Operations Policies and Procedures.**

A. Mandate, scope and methodology

1. By its resolution 2186 (XXI) of 13 December 1966, the General Assembly established the United Nations Capital Development Fund (UNCDF) as a capital investment agency to support the world's least developed countries. The Fund creates new opportunities for poor people with small businesses by increasing access to microfinance and investment capital. UNCDF programmes also help to empower women, and are designed to catalyse larger capital flows from the private sector, national Governments and development partners for maximum impact in terms of the achievement of the Millennium Development Goals. UNCDF has its headquarters in New York and operates in 29 countries and territories.

2. The Board of Auditors has audited the financial statements and reviewed the operations of UNCDF for the financial year ended 31 December 2013, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations (ST/SGB/2003/7 and Amend.1), as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCDF as at 31 December 2013 and its financial performance and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the financial regulations and rules of the United Nations Development Programme (UNDP) (applicable to UNCDF). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial statements, the Board carried out reviews of UNCDF operations under financial regulation 7.5 of the United Nations. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNCDF operations.

5. The Board coordinates with the Office of Audit and Investigations in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the work of the Office. The present report relates to audits performed at the visited country offices and headquarters of the Fund.

6. The Board's observations and conclusions were discussed with UNCDF management, and, where appropriate, their views have been reflected in the present report. The Board considers that its recommendations may have wider application across all UNCDF locations.

B. Findings and recommendations

1. Follow-up of previous recommendations

7. The Board assessed six recommendations made up to the year ended 31 December 2012 and noted that three (50 per cent) had been fully implemented, while three (50 per cent) were under implementation. While recognizing some positive progress, the Board encourages the clearance of the remaining recommendations before the end of 2014. Further detail is contained in the annex to the present report.

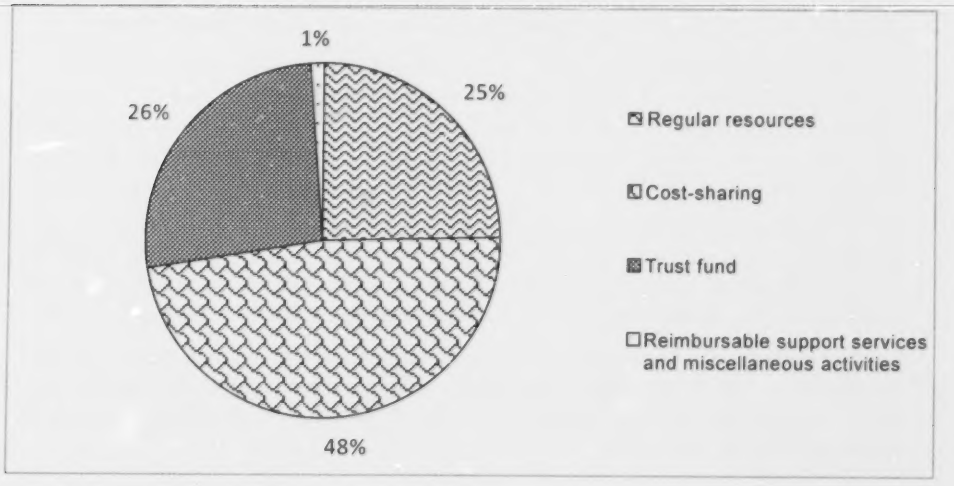
2. Financial overview

Revenue and expenses

8. UNCDF revenue includes voluntary contributions, investment revenue and other revenue. During the year under review, total revenue amounted to $66.24 million (2012: $55.24 million) and total expenses amounted to $59.94 million (2012: $50.94 million), resulting in a surplus of $6.29 million (2012: $4.3 million). During 2013, total voluntary contributions to the Fund were $65.16 million, equivalent to 98 per cent of total revenue (net of returns to donors for unused contributions).

9. Voluntary contributions increased by $11.02 million (20 per cent) compared with 2012 contributions of $54.14 million, reflecting increased donor support for projects. The amount of voluntary contributions comprised regular or core resources of $16.1 million (25 per cent), cost-sharing of $31.19 million (48 per cent), trust funds amounting to $17.12 million (26 per cent) and reimbursable support services and miscellaneous activities amounting to $0.807 million (1 per cent). These contribution levels are shown in figure II.1.

Figure II.1
Comparative contributions for regular and other resources

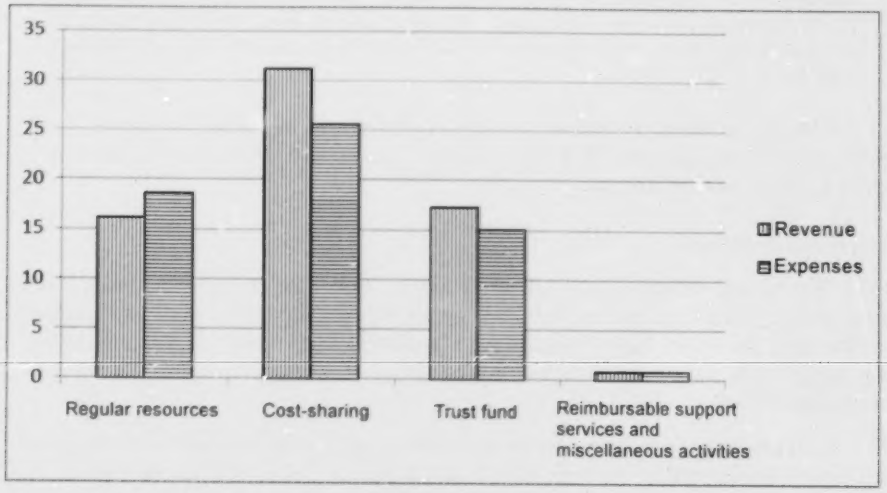


Source: Board's analysis of UNCDF 2013 financial statements.

10. Expenses during the reporting period, as reported in the statement of financial performance (statement II), amounted to $59.94 million. The breakdown by segment was as follows: expenses related to cost-sharing, $25.60 million (43 per cent); expenses for regular resources, $18.55 million (31 per cent); expenses for trust funds, $14.96 million (25 per cent); and expenses for reimbursable support services and miscellaneous activities, $0.83 million, net of $2.53 for cost recovery (1 per cent).

11. The classification of these expenses by nature indicate that $24.79 million (41 per cent) was spent for grants and other transfers; $18.24 million (30 per cent) for staff costs; $7.92 million (13 per cent) for general operating expenses, net of $2.53 million for cost recovery; $7.51 million (13 per cent) for contractual services; and $1.48 million (2 per cent) for supplies and consumables, other expenses, depreciation and finance cost. Comparative revenues and expenses by segment are shown in figure II.2.

Figure II.2
Comparative revenue and expenses
(Millions of United States dollars)



Source: Board's analysis of UNCDF 2013 financial statements.

Ratio analysis

12. An analysis of the Fund's main financial ratios shows that it had higher liquidity ratios in 2013 compared with 2012. A higher liquidity ratio means a more liquid current position that is sufficient to cover all maturing obligations and solvent enough to meet all liabilities without the disposal of its non-current assets. The increase of liquidity ratios is a result of an increase in short investments as well as a decrease in current liabilities compared with 2012, as shown in the table below.

Ratio analysis

Description of ratio	*31 December 2013*	*31 December 2012*
Current ratio[a]		
Current assets: current liabilities	27.6	7.5
Total assets: total liabilities[b]		
Assets: liabilities	6.9	3.6
Cash ratio[c]		
Cash + investments: current liabilities	26.2	8.6
Quick ratio[d]		
Cash + investments + accounts receivable: current liabilities	30.4	8.6

Source: Board's analysis of UNCDF 2013 financial statements.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio, because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

13. UNCDF accumulated operating reserves of $14.6 million (2012: $24.6 million), and cash and investments of $78.67 million (2012: $89.30 million) continued to provide a high level of liquidity.

Assets and liabilities

14. The current assets of UNCDF as at 31 December 2013 were $82.96 million, more than 27 times the current liabilities of $3 million, indicating the Fund's strong ability to meet short-term obligations. Similarly, total assets of $94.26 million comfortably exceeded total liabilities of $13.72 million, revealing a healthy financial position.

15. In accordance with its financial regulations and rules, UNCDF shall maintain reserves in its account at the level of at least 20 per cent of project commitments. As at 31 December 2013, UNCDF held $14.61 million in reserves, equivalent to 106 per cent of total commitments/liabilities of $13.72 million. Again, this is an indication of a healthy financial position.

3. Enterprise risk management process at the United Nations Capital Development Fund

16. The results and accountability section of the Programme Operations Policies and Procedures requires the consideration of risks in the planning, implementing, monitoring and evaluating stages of programmes, including management decision-making. To ensure that all processes involve the consideration of risks, a framework on policy for risk management was developed. The framework requires that each business unit carry out risk assessments of its business processes and implement an action plan to respond to the risks identified.

17. The Board reviewed the enterprise risk management process at UNCDF, and noted that there were no formal methods and processes designed to identify and

manage risks in compliance with the enterprise risk management policy framework. UNCDF has its own internal tool for monitoring risks, with a rationale to ensure that programme delivery and financial delivery are tracked systematically. However, the tool only tracks and monitors compliance in line with thematic areas in UNCDF programmes. No risks have been formally identified and documented, nor is there an action plan in place to mitigate risks.

18. The Board is concerned that UNCDF will not be able to identify, manage and monitor a broad spectrum of risks facing the organization, which may impair the successful achievement of corporate organizational objectives.

19. **The Board recommends that UNCDF adopt and fully implement an enterprise-wide risk management process for the planning, monitoring and evaluating stages of its programmes and operational activities in line with its enterprise risk management framework.**

4. Programme and project management

Preparation and signing of quarterly combined delivery reports

20. The Fund's Programme and Operations Policies and Procedures require that country offices and project executing entities/implementing partners prepare and sign a combined delivery report at the end of each quarter and at the end of the year for the certification of project expenses.

21. The Board noted that the combined delivery reports for the first, second and the third quarters for both projects under implementation at the Rwanda country office had been signed and submitted on 15 October 2013. This meant delays of six and three months for the first and second quarters, respectively. The delays run counter to the requirements of the Programme and Operations Policies and Procedures. At the Malawi country office only an annual combined delivery report had been prepared, with no evidence that the quarterly combined delivery reports had been prepared during the year.

22. While UNCDF attributed the delay mainly to a low level of disbursements, the Board considers that UNCDF was supposed to comply with the Programme and Operations Policies and Procedures requirement regarding the preparation and signing of quarterly combined delivery reports at the level of available resources.

23. In the Board's view, the essential purpose of signing quarterly combined delivery reports between UNCDF and implementing partners is to certify project expenses, and therefore the absence of quarterly combined delivery reports denies implementing partners good latitude with respect to certifying their expenses and their utilization of funds.

24. **UNCDF agreed with the Board's recommendations that it require all its country offices to prepare combined delivery reports and ensure that they are signed by counterparts in a timely manner, in accordance with the requirements of the Programme and Operations Policies and Procedures.**

Operational closure of projects, transfer of assets and refunds to donors

25. From its review of both projects at the Rwanda country office, the Board found deficiencies in the management of projects, including projects that had been closed operationally but not financially; the transfer of assets to other parties without

documentation; and delays in refunding unspent project balances to donors, most of which contravened the Programme and Operations Policies and Procedures. Details are as follows.

26. The Programme and Operations Policies and Procedures require that the financial closure of development projects be completed within 12 months of operational closure. It also states that the date specified in the signed cost-sharing agreement or project document is the official date for the operational closure of the project. The community development support project (ID No. 00040560) was inactive, with a financial closure status indicated in Atlas, but had not been operationally closed. Some 23 assets for the projects valued at $22.86 million had been handed over to the Government, but there were no equipment transfer documents, as required by the Programme and Operations Policies and Procedures. Transferring assets without certification of delivery to the intended beneficiary increases the risk that losses will occur without detection by management.

27. With respect to projects, the Programme and Operations Policies and Procedures require that, in order to confirm that all necessary closing steps have been completed and all revenues and expenses have been fully recorded in Atlas, trust fund managers fill out the trust fund completion checklist and forward it to the Contributions Unit and the Office of Finance and Administration for authorization. The Board noted that one trust fund for the community development support project, having a budget of $9 million and administered at the Rwanda country office, had been operationally and financially closed on 20 September 2012, but a balance of $0.282 million had yet to be refunded to the relevant donor.

28. The country office stated that the normal procedures for completing the trust fund completion checklist had not been followed owing to the instruction from the Regional Office for Southern and East Africa to close the project. Unspent funds would be returned to the donor immediately, after the finalization of the disposal of assets. UNCDF headquarters was proceeding to finalize the transfer to the donor.

29. In the Board's view, the continuous delays in refunding the unspent balance of the closed trust fund project run counter to the requirements of the Programme Operations Policies and Procedures and increase the risk of misuse of the funds.

30. **UNCDF agreed with the Board's recommendation that it: (a) ensure that its completed projects are closed in a timely manner, as stated in the Programme and Operations Policies and Procedures; (b) obtain from the beneficiaries duly certified receipts for the transferred assets to avoid any risk that losses will occur without detection by management; and (c) comply with the requirements of the Programme and Operations Policies and Procedures by refunding the balance or seek the consent of the donor with respect to applying the funds to other unearmarked activities.**

Projects not audited

31. The Board reviewed seven projects at the Uganda country office. It noted that, of three projects with expenditure amounting to $3.7 million, two were closed and had not been audited. This is contrary to the instructions issued by the Office of Audit and Investigations, which require unaudited projects that entail total accumulated expenses of more than $300,000 during a particular year and that have not been audited at least once in their life cycle to be included in the annual audit plan.

32. The Board is concerned that a failure to audit the projects as required leaves UNCDF without adequate assurance as to the propriety of the related financial information and as to whether funds have been used for the purposes intended.

33. **UNCDF agreed with the Board's recommendation that it improve its assurance of financial information by auditing any project that entails cumulative expenses of $300,000 during a particular year in accordance with the requirements of the Programme and Operations Policies and Procedures.**

Abolishment of Programme Officer posts in country offices of the Fund

34. According to the approved UNCDF country presence strategy, the decision to have a presence in a given country is subject to country analysis by the Fund. The Board's review of a handover note from the UNCDF Country Programme Officer in Malawi and its interview of the Southern and East Africa regional portfolio specialist on UNCDF operations at the Eritrea, Madagascar, Malawi, Mali and Somalia country offices revealed that UNCDF activities were being implemented by Country Programme Officers. The Board however, noted that those posts had been abolished in 2013 owing to the diminution of core resources, and that no other staff had been designated to take over their responsibilities. The Board noted that there was no proper plan for the continuity of UNCDF activities where the posts of UNCDF Country Programme Officers had been abolished. This had resulted in the ineffective implementation of UNCDF country programme activities.

35. At the Malawi country office, the Board made note of one project, the Malawi local government strengthening and investment project, with a lifespan of four years, 2011-2014. The final project evaluation was to be completed in 2013, but had been suspended owing to the abolishment of the posts of the UNCDF Programme Officers who had been responsible for carrying out the assignment Non-performance of the final evaluation is inconsistent with the Programme Operations Policies and Procedures requirement, and the objectives of the evaluation, which include identifying the status, lessons learned and challenges of the implementation of the project, were not achieved.

36. In addition, the Board noted that UNCDF had not yet signed a memorandum of understanding with UNDP for the monitoring and management of its two remaining global projects scheduled to be finalized in 2017. In the absence of UNCDF staff (a Country Programme Officer) and the lack of a memorandum of understanding between UNDP and UNCDF, there is a risk that pending project activities will not be implemented as expected.

37. **UNCDF agreed with the Board's recommendations that it: (a) ensure that, wherever the posts of Programme Officers have been abolished, an appropriate handover mechanism is established to ensure that their responsibilities are assigned to other designated officers for proper project delivery; (b) perform final project evaluations that were supposed to be completed in 2013; and (c) sign a memorandum of understanding with UNDP for the monitoring and management of the two remaining global projects scheduled to be finalized in 2017.**

5. Budget and budgetary process

Results-based budgeting

38. From its review of seven projects at the Uganda country office, the Board noted two cases in which annual workplans had been prepared without using the standard template. The annual workplan for one project had no performance indicators, baseline data or targets, and also lacked activity results and actions. In addition, it did not include the time frame on a quarterly basis, as required by the results-based-budgeting framework.

39. The Board noted similar cases at the Rwanda country office involving two projects relating to gender-equitable local development and building an inclusive financial sector in Rwanda.

40. UNCDF informed the Board that the standard template had not been used because of challenges encountered in using the template, but that it expected to see improvement in the near future. The Board, however, considers this to be non-compliance with the framework provided in the Handbook on Planning, Monitoring and Evaluating for Development Results. In the absence of performance indicators, baselines and targets in the project workplan, the monitoring of project implementation against planned results may be impaired.

41. **UNCDF agreed with the Board's recommendation that it prepare complete annual workplans with performance indicators, baseline information and targets to conform with the results-based-budgeting framework as required by the Programme and Operations Policies and Procedures.**

Slow pace of implementation of approved budget

42. In its assessment of the performance of the approved budget for the financial year 2013 at the Rwanda country office, the Board noted significant underperformance in the provision of grants to microfinance institutions. At the time of audit (September 2013), only $126,895 had been released, representing only 17.5 per cent of the total approved budget of $724,779.

43. While UNCDF attributed the matter to several managerial changes that it had experienced during the period, the Board considers that it was due to inadequate budget monitoring. The low utilization rate of the microfinance approved budget in 2013 increases the risk that UNCDF will not be able to fulfil its mandate.

44. **UNCDF agreed with the Board's recommendations that it monitor its budget performance closely and ensure that any emerging challenges to budget implementation are addressed in a timely manner.**

C. Disclosures by management

45. The Board notes the disclosure made by UNCDF that nothing came to the attention of management that would constitute fraud or presumptive fraud, it did not write off losses, and there were no ex gratia payments during the reporting period.

D. Acknowledgement

46. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Secretary and staff of the United Nations Capital Development Fund.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom of
Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Annex

Status of implementation of recommendations for the year ended 31 December 2012

No.	*Summary of recommendation*	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*
1	UNCDF agreed to (a) perform regular reviews and reconciliations of the general ledger to detect errors; (b) subject its accounts to a review and challenge during the financial statement preparation process to ensure that financial information p. nted is accurate and a complete reflection of the activities that have occurred; and (c) review the level at which the operational reserve is maintained to ensure maximum funds are available for programme activities	145	2010-2011		X Only part (c) has been implemented.
2	UNCDF should (a) fully provide for after-service health insurance and end-of-service liabilities; (b) establish a policy to fund the liabilities; and (c) implement processes to correctly compute and accrue for the annual leave liability. This recommendation reiterated a recommendation made in 2008-2009	149	2010-2011	X	
3	The Board recommends that UNCDF (a) assign responsibility for realizing IPSAS benefits as a specific function of the accounting unit; and (b) ensure that the procedures for processing information across the organization for the preparation of financial statements are improved to avoid recurrence of the noted deficiencies	18	2012	X	
4	UNCDF agreed with the Board's recommendations that it (a) liaise with UNDP and agree on the urgent clearance of the loan policy, which is the instrument governing UNCDF loans provisions; (b) appropriately impair all overdue loans following the approval of the loan policy; and (c) disclose in the financial statements the interest accrued of $113,000 for adjustment after the reporting date	23	2012		X
5	UNCDF agreed with the Board's recommendations that it re-examine the procurement process followed to establish the rationale for the evaluation team accepting the additional clarification and the substantial changes of the original proposal and the evaluation scores.	27	2012		X
6	UNCDF also agreed with the Board's recommendation that it improve the monitoring and oversight of the procurement process to ensure full compliance with the procurement rules and regulations, including procurement training for all staff and access to procurement support on demand, online and/or through the Management Support Unit	28	2012	X	
	Total			**6**	**3**	**3**
	Percentage			**100**	**50**	**50**

Chapter III
Financial report for the year ended 31 December 2013

A. Introduction

1. In accordance with financial regulation 26.01 of the United Nations Capital Development Fund (UNCDF) financial regulations and rules (which comprise the United Nations Development Programme (UNDP) Financial Regulations and Rules and annex 1 thereto, which is applicable to UNCDF), the UNDP Administrator hereby submits the financial statements of UNCDF for the year ended 31 December 2013.

2. The report of the United Nations Board of Auditors, together with their opinion on the financial statements, and the comments of UNCDF on the substantive observations are submitted in accordance with financial regulation 4.04.

3. The original UNCDF mandate from the General Assembly is to "assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans" (see resolution 2186 (XXI) of 13 December 1966). The mandate was complemented in 1973 to serve, first and foremost but not exclusively, the least developed countries. UNCDF has a unique financial mandate within the United Nations system. It provides investment capital and technical support to both the public and the private sector. The ability to provide capital financing, in the form of grants, loans and credit enhancement, and technical expertise in preparing portfolios of sustainable and resilient capacity-building and infrastructure projects, makes its mandate complementary to those of other United Nations agencies. It also positions UNCDF as an early-stage investor to de-risk opportunities that can later be scaled up by institutional financial partners and, increasingly, by philanthropic foundations and private sector investors.

B. Financial performance

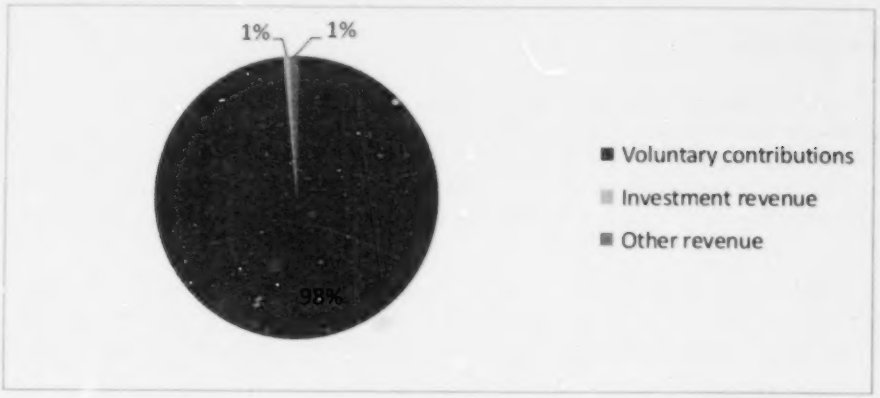
4. The total revenue for UNCDF for 2013 (contributions, investment and other revenue) was $66.2 million (2012: $55.2 million), compared with total expenses of $59.9 million (2012: $50.9 million), resulting in a surplus of $6.3 million (2012: $4.3 million).

Revenue analysis

Revenue by nature

5. The total revenue for UNCDF in 2013 was $66.2 million, of which $65.2 million (98 per cent) was from voluntary contributions, a net amount of $0.4 million (1 per cent) was from investment revenue such as interest from loans and interest earned from cash investments, and $0.6 million (1 per cent) was from other revenue.

Figure III.1
Composition of total revenue in 2013, by nature



Revenue by segment

6. Analysis of revenue[1] by segment shows that cost-sharing is the largest revenue source, providing 46 per cent of the Fund's revenue in 2013, followed by trust funds (25 per cent), regular resources (24 per cent) and reimbursable support services and miscellaneous activities (5 per cent).

Figure III.2
Composition of total revenue in 2013, by segment

7. Total revenue increased by 20 per cent in 2013 to $66.2 million from $55.2 million in 2012. The increase in revenue was evident in all segments: regular resources (10 per cent), cost-sharing (14 per cent), trust funds (48 per cent) and reimbursable support services (9 per cent).

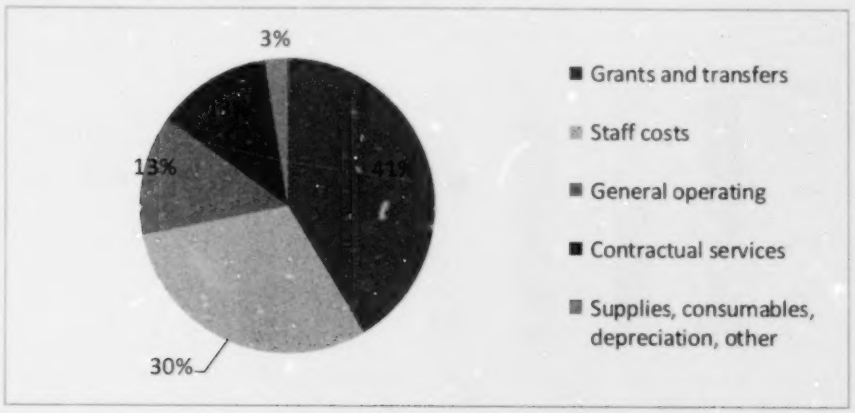
[1] Excludes elimination for inter-fund transactions.

Expenses analysis

Expenses by nature

8. The Fund's expenses in 2013 were $59.9 million. As shown in figure III.3, the largest expense category by nature was grants and other transfers ($24.8 million, or 41 per cent). The remaining categories were staff costs ($18.2 million, or 30 per cent), general operating expenses ($8 million, or 13 per cent), contractual services with individuals and companies ($7.5 million, or 13 per cent) and supplies, consumables, depreciation and other expenses ($1.4 million, or 3 per cent).

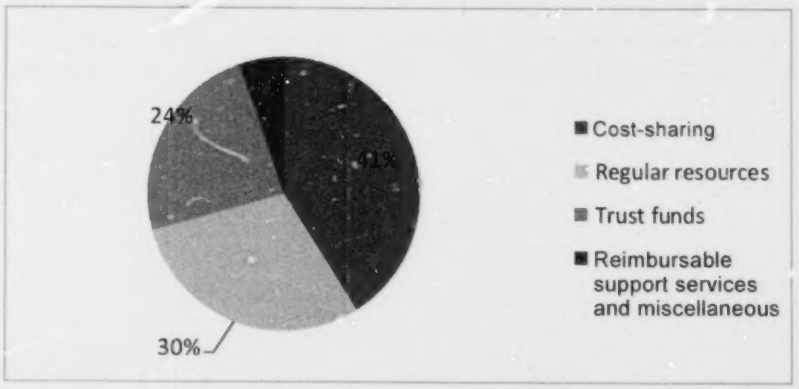
Figure III.3
Composition of total expenses in 2013, by nature



Expenses by segment

9. Of total expenses,[1] 30 per cent related to regular resources, 41 per cent to cost-sharing, 24 per cent to trust funds and 5 per cent to reimbursable support services and miscellaneous activities (see figure III.4).

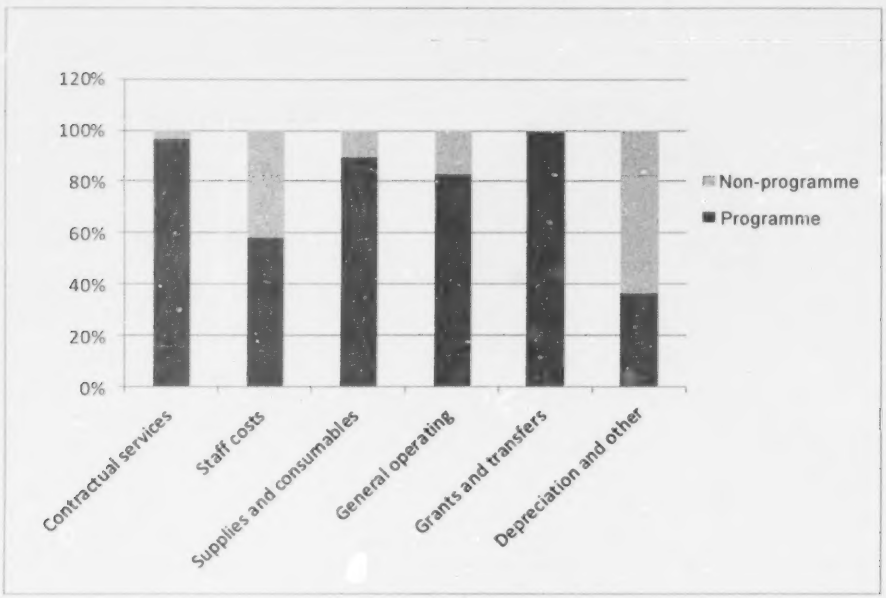
Figure III.4
Composition of total expenses in 2013, by segment



Expenses relating to programme

10. Of the total expenses of $59.9 million for 2013, $52.1 million comprised programme expenses, reflecting the development nature of the Fund's operations. By expense category, programme expenses made up 97 per cent of total contractual services with individuals and companies, 58 per cent of staff costs, 90 per cent of supplies and consumables, 83 per cent[1] of general operating expenses, 100 per cent of grants and other transfers, and 36 per cent of depreciation and other expenses.

Figure III.5
Proportion of programme expenses to total expenses, by nature



Financial performance by segment

11. Regular resources and reimbursable support services and miscellaneous activities had deficits of $1.6 million and $0.008 million, respectively, for the year 2013, while cost-sharing and trust funds had surpluses of $5.8 million and $2.2 million, respectively. Financial performance by segment is summarized in table III.1.

Table III.1
Summary of financial performance by segment in 2013
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	16.9	31.3	17.2	3.3	(2.5)	66.2
Total expenses	18.5	25.6	15.0	3.3	(2.5)	59.9
Surplus/(deficit) for the year	**(1.6)**	**5.7**	**2.2**	**–**	**–**	**6.3**
Total net assets	**17.9**	**42.0**	**14.7**	**5.9**	**–**	**80.5**

Summary of financial performance by segment in 2012
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	15.3	27.5	11.6	3.1	(2.3)	55.2
Total expenses	24.2	16.6	9.6	2.8	(2.3)	50.9
Surplus/(deficit) for the year	**(8.9)**	**10.9**	**2.0**	**0.3**	**–**	**4.3**
Total net assets	**14.3**	**35.5**	**12.1**	**5.5**	**–**	**67.4**

C. Budgetary performance

12. The Fund's budget continues to be prepared on a modified cash basis, as presented in financial statement V and note 7. In order to facilitate a comparison between the budget and the financial statements prepared under the International Public Sector Accounting Standards (IPSAS) reconciliation of the budget to the cash flow statement is also included in note 7.

13. For UNCDF, approved budgets are those that permit expenses to be incurred in connection with the development and management activities to be financed from regular resources. The Fund's other resources are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board. Utilization against budget levels for regular resources is shown in table III.2.

Table III.2
Budget utilization rates for 2013

Budget component	*Annualized approved budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	19	81
Management activities	5	52
Total	**24**	**75**

Budget utilization rates for the biennium 2012-2013

Budget component	*Annualized approved budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	49	73
Management activities	7	68
Total	**56**	**72**

D. Financial position

Assets

14. The Fund's current assets of $83 million (2012: $77.6 million) comprise largely investments ($52.1 million), cash and cash equivalents ($16.5 million) and receivables for exchange and non-exchange transactions ($12.6 million). These items represent $81.2 million, or 97.8 per cent, of total current assets. Non-current assets of $11.3 million (2012: $15.5 million) are primarily investments ($10.1 million) and property, plant and equipment ($0.7 million), which combined represent $10.8 million, or 96 per cent, of non-current assets.

Cash, cash equivalents and investments

15. At 31 December 2013, UNCDF held cash, cash equivalents and investments of $78.7 million (2012: $89.3 million). The Fund's investment revenue was $0.4 million in 2013.

Receivables

16. At 31 December 2013, UNCDF had non-exchange and exchange receivables of $12.6 million (2012: $0.3 million), which include contributions receivable from UNDP, contributions not received from donors for which contribution agreements have been signed, and advances provided to implementing partners that need to be prorated and allocated to their respective projects.

Advances issued

17. In fulfilling its mandate, UNCDF transfers cash to executing entities/implementing partners as cash advances. Advances issued are recognized as assets and converted to expenses when the goods are delivered or the services are rendered by the executing entities/implementing partners and confirmed by receipt by

UNCDF of certified expense reports. Once these certified expense reports are received, UNCDF recognizes expenses in its statement of financial performance. Data may be obtained from the entities' audited statements or, when such statements are not available at the reporting period, either from the entities' statements as submitted for audit or from the entities' unaudited statements.

18. At 31 December 2013, UNCDF had outstanding advances of $1 million (2012: $1.2 million). This consists of $0.5 million in advances to government counterparts and $0.1 million advanced to United Nations agencies (for project implementation); the remaining $0.4 million comprises primarily advances to staff.

Property, plant and equipment and intangible assets

19. At 31 December 2013, UNCDF held property, plant and equipment of $0.69 million (2012: $0.49 million). Of total property, plant and equipment, $0.36 million represents vehicles, $0.22 million represents communications and information technology (IT) equipment and the remaining amount consists of fixtures, furniture, heavy machinery and other equipment. All management assets and project assets that UNCDF controls are capitalized by UNCDF. Project assets that are not controlled by UNCDF are expensed as incurred.

Liabilities

20. The Fund's current liabilities of $3 million (2012: $10.4 million) are primarily employee benefits ($2.1 million) and accrued liabilities ($0.9 million). Employee benefits include annual leave ($1.4 million), home leave ($0.3 million) and repatriation entitlements ($0.3 million). Non-current liabilities of $10.7 million (2012: $15.3 million) consist primarily of $7.8 million (73 per cent) in after-service health insurance liabilities and $1.7 million (16 per cent) in repatriation entitlements.

21. The liabilities arising from post-employment benefits and other long-term employee benefits are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Liabilities for after-service health insurance, repatriation entitlements and death benefits were determined by an actuarial valuation conducted as at 31 December 2013.

Employee benefits

22. IPSAS requires recording (but not necessarily full funding) of all accumulated employee benefits liabilities in the financial statements, although the disbursements for these benefits will occur over several decades. The principal liability is after-service health insurance, valued at $7.9 million.

Accumulated surplus

23. At 31 December 2013, the Fund's accumulated surplus and reserves were $80.5 million, reflecting an increase of 19 per cent compared with $67.4 million at 31 December 2012.

Financial position by segment

24. The statement of financial position for each business segment indicates differing states of health and reflects the history of cross-subsidization between business segments that was not transparent prior to the adoption of IPSAS. For example, the regular resources business segment currently holds 30 per cent of the Fund's total assets but carries 75.8 per cent of its total liabilities, which results in a share of its total net assets/equity of 22.3 per cent. Conversely, the cost-sharing and trust funds business segments jointly hold 62.8 per cent of the Fund's total assets but carry only 18.1 per cent of its total liabilities, which results in a share of its total net assets/equity of 70.4 per cent. The Fund's financial position by fund is summarized in table III.3.

Table III.3
Summary of financial position, by segment

	Assets		*Liabilities*		*Net assets/equity*	
	Millions of United States dollars	*Percentage of total assets*	*Millions of United States dollars*	*Percentage of total assets*	*Millions of United States dollars*	*Percentage of total assets*
As at 31 December 2013						
Regular resources	28.3	30	10.4	76	17.9	22
Cost-sharing	43.5	46	1.5	11	42.0	52
Trust funds	15.7	17	1.0	7	14.7	18
Reimbursable support services	6.8	7	0.8	6	5.9	8
Total	**94.3**	**100**	**13.7**	**100**	**80.5**	**100**
As at 31 December 2012						
Regular resources	35.3	38	21.0	82	14.3	21
Cost-sharing	37.8	41	2.2	8	35.5	53
Trust funds	13.3	14	1.2	5	12.1	18
Reimbursable support services	6.7	7	1.3	5	5.5	8
Total	**93.1**	**100**	**25.7**	**100**	**67.4**	**100**

E. Risk management

25. The Fund's risk management policies are aimed at minimizing potential adverse effects on the resources available to UNCDF to fund its activities. The principal objectives of the Fund's risk management approach are: (i) safety: preservation of capital, provided through investing in high-quality fixed-revenue securities emphasizing the creditworthiness of the issuers; (ii) liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-revenue securities and through structuring maturities to align with liquidity requirements; and (iii) revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

26. UNCDF investments have been managed by UNDP, which has an Investment Committee comprising senior management that meets quarterly to review the Fund's investment portfolio performance and ensure that investment decisions are in compliance with established investment guidelines.

Chapter IV
Financial statements for the year ended 31 December 2013

United Nations Capital Development Fund
I. Statement of financial position as at 31 December 2013

(Thousands of United States dollars)

	Reference	*31 December 2013*	*31 December 2012 (restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 8	16 515	37 159
Investments	Note 9	52 059	38 777
Receivables (non-exchange transactions)	Note 10	3 698	–
Receivables (exchange transactions)	Note 10	8 876	279
Advance issued, net	Note 11	1 031	1 207
Loans to financial service providers	Note 12	783	–
Inventories	Note 13	2	–
Other current assets	Note 14	–	178
Total current assets		**82 964**	**77 600**
Non-current assets			
Investments	Note 9	10 099	13 366
Loans to financial service providers	Note 12	547	1 608
Property, plant and equipment	Note 15	685	488
Total non-current assets		**11 331**	**15 462**
Total assets		**94 295**	**93 062**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 16	895	8 348
Employee benefits	Note 17	2 110	2 033
Other current liabilities	Note 18	–	26
Total current liabilities		**3 005**	**10 407**
Non-current liabilities			
Employee benefits	Note 17	10 718	15 302
Total non-current liabilities		**10 718**	**15 302**
Total liabilities		**13 723**	**25 709**
Net assets			
Reserves	Note 19	14 618	24 600
Accumulated surplus	Note 20	65 954	42 753
Total net assets/equity		**80 572**	**67 353**
Total liabilities and net assets/equity		**94 295**	**93 062**

The accompanying notes are an integral part of the financial statements.

United Nations Capital Development Fund

II. Statement of financial performance for the year ended 31 December 2013

(Thousands of United States dollars)

	Reference	*2013*	*2012 (restated)*
Revenue			
Voluntary contributions, net	Note 21	65 169	54 139
Investment revenue	Note 22	426	367
Other revenue	Note 23	642	737
Total revenue		**66 237**	**55 243**
Expenses			
Contractual services	Note 24	7 512	7 366
Staff costs	Note 24	18 240	16 057
Supplies and consumables used	Note 24	583	613
General operating expenses	Note 24	7 926	8 247
Grants and other transfers	Note 24	24 787	16 852
Other expenses	Note 24	784	1 472
Depreciation	Note 24	87	329
Finance costs	Note 24	23	8
Total expenses		**59 942**	**50 944**
Surplus for the period		**6 295**	**4 299**

The accompanying notes are an integral part of the financial statements.

United Nations Capital Development Fund

III. Statement of changes in net assets/equity for the year ended 31 December 2013

(Thousands of United States dollars)

	Reserves	*Accumulated surplus*	*Total net assets/equity*
Balance at 31 December 2012 (restated)a	**24 600**	**42 753**	**67 353**
Prior-period adjustment (note 5)	–	52	52
Balance at 31 December 2012 (adjusted)	**24 600**	**42 805**	**67 405**
Changes in net assets/equity			
Operational reserve transfer to accumulated surplus	(9 982)	9 982	–
Funds with specific purposes (note 20)	–	920	920
Actuarial gains, net	–	5 952	5 952
Surplus/(deficit) for the period	–	6 295	6 295
Total revenue and expense recognized directly in net assets/equity	**(9 982)**	**23 149**	**13 167**
Balance at 31 December 2013	**14 618**	**65 954**	**80 572**

[a] The accumulated surpluses restated balance as at 31 December 2012 represents amounts restated under IPSAS 3: Accounting policies, changes in accounting estimates and errors. This figure is reflected in the statement of financial position.

The accompanying notes are an integral part of the financial statements.

United Nations Capital Development Fund
IV. Cash flow statement for the year ended 31 December 2013

(Thousands of United States dollars)

	2013	*2012 (restated)*
Cash flows from operating activities		
Surplus for the period	6 295	4 299
Adjustments to reconcile deficit for the period to net cash flows:		
Depreciation	87	329
Impairment, net	16	690
Amortization of bond premium	1 044	1 020
(Gains) on bonds	(2)	–
(Gains)/losses on disposal of property, plant and equipment	144	269
Changes in assets		
(Increase)/decrease in receivables (non-exchange transactions)	(3 698)	948
(Increase)/decrease in receivables (exchange transactions)	(9 937)	(1 333)
Interest received on loans	42	18
(Increase)/decrease in advances issued	160	1 302
(Increase)/decrease in inventories	(2)	–
(Increase)/decrease in loans to financial service providers	278	782
(Increase)/decrease in other assets	178	–
Changes in liabilities/net assets		
Increase/(decrease) in accounts payable and accrued liabilities	(7 453)	3 074
Increase/(decrease) in employee benefits	1 445	1 155
Increase/(decrease) in other liabilities	(26)	(33
Increase/(decrease) in funds with specific purposes	920	775
Net cash flows from operating activities	**(10 509)**	**13 295**
Cash flows from investing activities		
Purchases of investments	(51 819)	(55 249)
Maturities of investments	40 762	42 600
Interest received	1 298	1 474
Purchases of property, plant and equipment	(377)	(81)
Proceeds from disposal of fixed assets	1	–
Net cash flows from investing activities	**(10 135)**	**(11 256)**
Cash flows from financing activities	**–**	**–**
Net (decrease)/increase in cash and cash equivalents	**(20 644)**	**2 039**
Cash and cash equivalents at beginning of the period	**37 159**	**35 120**
Cash and cash equivalents at end of the period (note 8)	**16 515**	**37 159**

The accompanying notes are an integral part of the financial statements.

United Nations Capital Development Fund
V. Statement of comparison of budget and actual amounts (regular resources)

(a) For the year ended 31 December 2013

(Thousands of United States dollars)

	Approved budget		*Actual expenditure on comparable basis (note 7)*	*Difference between final approved budget and actual expenditure*
	Original	*Final*		
Development activities				
Programme	12 731	12 731	10 407	2 324
Development effectiveness	5 965	5 965	4 691	1 274
Subtotal	**18 696**	**18 696**	**15 098**	**3 598**
Management activities	4 870	4 870	2 521	2 349
Total	**23 566**	**23 566**	**17 619**	**5 947**

The accompanying notes are an integral part of these financial statements.

(b) For the biennium 2012-2013

(Thousands of United States dollars)

	Final approved budget			*Actual expenditure on a comparable basis (note 7)*			*Difference: final approved biennium budget and biennium actual expenditure*
	2013	*2012*	*Biennium*	*2013*	*2012*	*Biennium*	
Development activities							
Programme	12 731	22 660	35 391	10 407	16 998	27 405	7 986
Development effectiveness	5 965	7 206	13 171	4 691	3 425	8 116	5 055
Subtotal	**18 696**	**29 866**	**48 562**	**15 098**	**20 423**	**35 521**	**13 041**
Management activities	4 870	2 623	7 493	2 521	2 539	5 060	2 433
Total	**23 566**	**32 489**	**56 055**	**17 619**	**22 962**	**40 581**	**15 474**

The accompanying notes form an integral part of the financial statements.

United Nations Capital Development Fund
Notes to the 2013 financial statements

Note 1
Reporting entity

The original UNCDF mandate from the General Assembly is to "assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans" (see resolution 2186 (XXI) of 13 December 1966). The mandate was complemented in 1973 to serve, first and foremost but not exclusively, the least developed countries.

UNCDF has a unique financial mandate within the United Nations system. It provides investment capital and technical support to both the public and the private sector. The ability to provide capital financing, in the form of grants, loans and credit enhancement, and technical expertise in preparing portfolios of sustainable and resilient capacity-building and infrastructure projects, makes its mandate complementary to those of other United Nations agencies. It also positions UNCDF as an early-stage investor to de-risk opportunities that can later be scaled up by institutional financial partners and, increasingly, by philanthropic foundations and private sector investors.

UNCDF is headquartered in New York and is on the ground in 32 countries and territories.

The financial statements include only the operations of UNCDF. UNCDF has no subsidiaries or interests in associates or jointly controlled entities.

Note 2
Statement of compliance with the International Public Sector Accounting Standards

The Fund's financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

Note 3
Basis of preparation and authorization for issue

(a) Basis of measurement

These financial statements have been prepared on an accrual basis of accounting in accordance with IPSAS and the UNDP Financial Regulations and Rules and annex 1 thereto, which is applicable to UNCDF (hereinafter "UNCDF financial regulations and rules").

UNCDF applies the historical cost principle except where stated in note 4. Accounting policies have been applied consistently throughout the period. The financial period is from January to December.

(b) Foreign currency

The functional and presentation currency of UNCDF is the United States dollar. These financial statements are expressed in thousands of United States dollars unless otherwise stated.

Foreign currency transactions are translated at the date of the transaction into United States dollars at the United Nations operational rate of exchange, which approximates market/spot rates.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date and are recognized in net assets/equity.

Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate in effect at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance.

(c) Critical accounting estimates

The preparation of financial statements in accordance with IPSAS requires UNCDF to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. Significant estimates and assumptions that may result in material adjustments in future years include actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; and classification of financial instruments and contingent assets and liabilities.

(d) Future accounting pronouncements

Significant future accounting pronouncements from the International Public Sector Accounting Standards Board that are expected to affect UNCDF include:

(i) The public sector conceptual framework: the objective of the project is to develop a public sector conceptual framework that is applicable to the preparation and presentation of general-purpose financial reports of public sector entities;

(ii) Reporting service performance information: the objective of the project is to use a principles-based approach to develop a consistent framework for reporting service performance information of public sector programmes and services that focuses on meeting the needs of users;

(iii) Social benefits: the objective of the project is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements.

The progress and impact of these future accounting pronouncements on the UNCDF financial statements continues to be assessed and monitored.

(e) Authorization for issue

The present financial statements are approved and certified by the Administrator of UNDP and Managing Director of UNCDF, the Executive Secretary of UNCDF, the Assistant Administrator and Director of the Bureau of Management of UNDP and the Chief Finance Officer and Comptroller of UNDP. In accordance with the UNCDF financial regulations and rules, these financial statements are authorized for issue on 30 April 2014.

Note 4
Significant accounting policies

(a) Financial assets classification

UNCDF classifies financial assets into the following categories in the statement of financial performance: held to maturity; available for sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNCDF initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNCDF becomes party to the contractual provisions of the instrument.

Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements, and assets denominated in foreign currency are translated into United States dollars at the United Nations operational rate of exchange prevailing at the reporting date, with gains and losses recognized in surplus or deficit in the statement of financial performance.

IPSAS classification	*Type of UNCDF financial asset*
Held to maturity	Investments
Available for sale	None
Loans and receivables	Cash and cash equivalents, receivables exchange and non-exchange, advances issued, prepayments and loans to financial service providers
Fair value through surplus or deficit	Derivatives

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UNCDF has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method. UNCDF classified its investment portfolio as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value, with any resultant fair-value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is de-recognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. As at 31 December 2013, UNCDF had no financial assets classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Cash and cash equivalents include cash and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value and net of impairment for restricted-use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Receivables non-exchange comprise contributions receivable. Contributions receivable represent uncollected revenue committed to UNCDF by donors based on enforceable commitments that are recognized as revenue. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts.

Exchange receivables represent amounts owed to UNCDF for services provided by it to other entities. In exchange, UNCDF directly receives approximately equal value in the form of cash.

Advances issued represent cash transferred to executing entities/implementing partners as an advance. Advances issued are initially recognized as assets and then converted to expense when goods are delivered or services are rendered by the executing entities or implementing partners and confirmed by receipt by UNCDF of the applicable certified expense reports, such as financial reports, funding authorization and certification of expense forms or project delivery reports. Once these certified expense reports are received, UNCDF recognizes expenses in its statement of financial performance. Data may be obtained from the entities' audited statements or, when such statements are not available at the reporting period, either from the entities' statements as submitted for audit or from the entities' unaudited statements.

Prepayments are issued where agreements with UNCDF and the executing entity, implementing partner or supplier require upfront payment. Prepayments are recorded as a current asset until goods or services associated with them are delivered, at which point the expense is recognized and the prepayment is reduced by a corresponding amount.

UNCDF provides advances to staff for up to 12 months for specified purposes in accordance with the Staff Rules and Staff Regulations of the United Nations. These advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value.

Loans to financial service providers

As part of its efforts to support financial inclusion in least developed countries, UNCDF maintains a small portfolio of loans extended directly to financial service providers. The loans are "concessional", that is, they offer lower interest rates and longer maturities than those found in the commercial market. The loans help financial service providers demonstrate their potential creditworthiness and their ability to manage debt to grow their portfolios.

UNCDF extends loans to financial service providers on the basis of sound business plans demonstrating how the loans will contribute to their reaching financial sustainability. The loans follow two general principles. First, they should not "crowd out" private sources of capital. In other words, UNCDF will not lend to financial service providers that could otherwise use private sources such as commercial banks. Second, they should avoid exposing the financial service provider to exchange risks (that is, the loan should preferably be in local currency).

Accounting for concessionary loans

A concessionary loan is a loan provided on more favourable terms than the borrower could obtain in the marketplace.

On initial recognition of concessionary loan, the market-based loan component and discount component are separated and accounted as follows.

The market-based loan component is accounted as a financial asset classified as loans and receivables. It is initially recognized at the fair value of the loan estimated through the use of the valuation technique and is subsequently accounted at amortized cost using the effective interest method.

The discount component of the concessional loan is recognized as an expense in the statement of financial performance. The discount component is the difference between the nominal value of the loan and the fair value of the loan.

Impairment is recognized if there is objective evidence that UNCDF will be unable to collect all amounts due on a loan according to the original contractual terms.

Individual credit exposures are evaluated on the basis of the borrower's character: overall financial condition, resources and payment record, prospects for recovery from the realization of collateral or the calling-in of guarantees where applicable. Specific provisions are made when, in the judgement of UNCDF management, the recovery of the outstanding balances is in serious doubt.

The estimated recoverable amount is the present value of expected future cash flows, which may result from the restructuring or liquidation of the loan.

The increase in the present value of impaired claims due to the passage of time is reported as interest income.

Upon impairment assessment on 1 January 2012, UNCDF management is of the view that the recovery of the outstanding loan balance of $0.690 million provided to seven institutions is in serious doubt and hence impaired.

UNCDF fully implemented IPSAS 29: Financial instruments: recognition and measurement, related to concessionary loan, retrospectively from 1 January 2012. As a result, it is the view of UNCDF management that loans provided to five institutions are performing loans in accordance with the contractual arrangement and accounted in accordance with IPSAS 29, as follows:

(Thousands of United States dollars)

		Outstanding amount as at 31 December 2012		
Country	*Financial service provider*	*United Nations system accounting standards*	*IPSAS*	*Valuation difference*
Senegal	2	225	221	(4)
Sierra Leone	1	59	57	(2)
South Sudan	2	944	888	(56)
Total	**5**	**1 228**	**1 166**	**(62)**

Valuation methodology

The Fund's policy is to initially value loans and receivables at fair market value and account for them on the basis of the effective interest method at amortized cost. To this end, UNCDF first determines the market value of the loan at the point of origination. A loan's market value is the price an investor would likely pay in a competitive arm's-length sales process. This price is most often calculated by discounting the loan's contractual cash flows at an applicable market discount rate (a discounted cash flow analysis). Given the prospective nature with which a loan's cash flow can be formulated (owing to its contractual elements), typically a market participant's yield requirement is the key input in a discounted cash flow analysis. The discount rate, or yield, required by a market participant is commensurate with the level of risk being assumed to acquire the instrument. Other factors that also influence the absolute yield requirement include prevailing macro- and microeconomic forces such as local risk-free borrowing rates as well as interbank borrowing rates, which often form the base index of the absolute yield, as well as commercial lending rates and the inflationary environment.

Owing to the subjectivity involved in concessionary loan pricing, the limited number of market participants within this sector and the accessibility of market information for these types of loans, yields can vary in nature and be fairly wide. As such, the analysis focused on the different risk factors associated with the underlying region in which the borrower is located in formulating the credit risk profile being assumed by a market participant in acquiring the loan.

Country	*Range of discount rate a market participant would likely require*
Senegal	9 per cent and 15 per cent
Sierra Leone	13 per cent and 15 per cent
South Sudan	11 per cent and 15 per cent

UNCDF has utilized the average rate to calculate a market-based loan component.

Fair value through surplus or deficit

Fair value through surplus or deficit financial assets are so designated on initial recognition or are held for trading. They are initially recorded at fair value, and any transaction costs are expensed. The assets are measured at fair value at each reporting date, and any resultant fair value gains or losses are recognized through surplus or deficit. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with the investment guidelines of UNDP. UNCDF classifies derivatives as financial assets at fair value through surplus or deficit in the statement of financial performance. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. At 31 December 2013, UNCDF had no open foreign exchange derivative instruments positions in this asset category and did not have embedded derivatives requiring separate accounting at fair value through surplus or deficit. UNCDF does not apply hedge accounting treatment for derivatives.

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year in which they arise.

Inventories

Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost or current replacement cost. Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g., donated goods), cost shall be measured at its fair value at the date of acquisition.

Property, plant and equipment

All property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired without charge or for nominal consideration, the fair value at the date of acquisition is deemed to be its cost. For recognition of property, plant and equipment as an asset, the threshold is $500 or more per unit; for leasehold improvements, it is $50,000.

UNCDF elected to apply the cost model to measurement after recognition, instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to UNCDF and the cost of the item can be measured reliably. Repair and maintenance costs are charged to surplus or deficit in the statement of financial performance in the period in which they are incurred.

Project assets that are not controlled by UNCDF are expensed as incurred. UNCDF is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if UNCDF can exclude or regulate the access of third parties to the asset. This is the case when UNCDF is implementing the project directly.

Property, plant and equipment includes right-to-use arrangements for property that meets the criteria for recognition (see the section entitled "Leases" below).

Depreciation on property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, i.e., major components of property, plant and equipment. Assets under construction are not depreciated, as these assets are not yet available for use.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Buildings	10-40
Vehicles	12
Communications and information technology equipment	8-20
Furniture and fixtures	15
Heavy machinery and other equipment	20
Leasehold improvements	Shorter of lease term or life of applicable asset

A gain or loss from disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. These gains or losses are recognized in surplus or deficit in the statement of financial performance.

UNCDF has no intangible assets.

Impairment of non-cash-generating assets

Property, plant and equipment are reviewed for impairment at each reporting date. For property, plant and equipment, UNCDF reviews for impairment during the biannual physical verification process. An impairment loss is recognized in surplus or deficit in the statement of financial performance when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use. In assessing value in use, UNCDF applies, depending on the availability of data and the nature of impairment, a depreciated replacement cost approach, a restoration cost approach or a service units approach.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment deficit is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

(b) Financial liabilities classification

IPSAS classification	*Type of UNCDF financial liabilities*
Other financial liabilities	Accounts payable and accrued liabilities, and other liabilities
Fair value through surplus or deficit	Derivatives

Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into for a duration of less than 12 months are recognized at their nominal value.

Payables and accruals arising from the purchase of goods and services are initially recognized at fair value and subsequently measured at amortized cost when goods are delivered or services rendered and accepted by UNCDF. Liabilities are stated at invoice amounts, less payment discounts, at the reporting date. The liability is estimated in cases where invoices are not available at the reporting date.

Employee benefits

Short-term employee benefits

Short-term employee benefits are those that are expected to be settled within 12 months after the end of the period in which employees render the related service. These benefits include assignment benefits, regular monthly benefits (e.g., wages and salaries), compensated absences (e.g., paid leave such as annual leave), other short-term and non-monetary benefits and the current portion of long-term benefits

provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of these entitlements, the liabilities are not discounted for the time value of money. They are presented as current liabilities.

Post-employment benefits

Post-employment benefits are those payable after the completion of employment, but exclude termination payments.

Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

For defined contribution post-employment plans, the obligation for each period is determined by the amounts to be contributed for that period, and no actuarial assumptions are required to measure the obligation or the expense. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, reduced by the fair value of plan assets (if any) at the reporting date. UNCDF did not hold any assets corresponding to the definition of a plan asset.

UNCDF is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3(b) of the Regulations of the Pension Fund, membership in the Pension Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNCDF and the Pension Fund, in line with the other participating organizations in the Pension Fund, are not in a position to identify the Capital Development Fund's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNCDF has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. UNCDF contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Pension Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The

primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments; these can be viewed by visiting the Pension Fund website at www.unjspf.org.

The after-service health insurance programme extends subsidized health insurance coverage to retirees and their dependants under the same health insurance terms as those for active staff based on certain eligibility requirements. The after-service health insurance programme at UNCDF is a defined benefit plan. Accordingly, a liability is recognized to reflect the present value of the defined benefit obligation, adjusted for unrecognized actuarial gains and losses and unrecognized past service cost. The latest actuarial valuations for the UNCDF after-service health insurance programme were carried out as at 31 December 2013 using the projected unit credit method.

Defined benefit plans

The defined benefit plans of UNCDF include after-service health insurance and certain end-of-service entitlements. The obligation of UNCDF in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that obligation is discounted to determine its present value and stated at the end of the reporting period, less the fair value of plan assets, together with adjustments for unrecognized past service costs. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on high-quality credit-rated corporate bonds that have maturity dates approximating the terms of the payment obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to a reserve in net assets/equity in the period in which they arise. All other changes in the liability for these obligations are recognized in surplus or deficit in the statement of financial performance in the period in which they arise.

Other long-term employee benefits

Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the period in which employees provide the related service. These benefits include the non-current portions of home leave and compensation for death and injury attributable to the performance of duties. These are recognized as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses are reported in the statement of changes in net assets/equity.

Termination benefits

Termination benefits are recognized as an expense only when UNCDF is demonstrably committed, without a realistic possibility of withdrawal, to a formal

detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

Leases

Operating lease

Leases are classified as operating leases where UNCDF is the lessee and the lessor retains a significant portion of the risks and rewards inherent to ownership. Payments under operating leases, net of incentives received from the lessor, are recognized on a straight-line basis in the statement of financial performance over the lease term.

Finance lease

Where UNCDF has substantially all the risks and rewards of ownership, leases of tangible assets are classified as financial leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property, plant and equipment. Each finance lease payment is allocated between the liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense in the statement of financial performance over the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-to-use arrangements

Where UNCDF has signed an agreement for the right to use assets without legal title/ownership of the assets, for example, through donated use granted to UNCDF at no cost, the transaction is a non-exchange transaction. In this case, an asset and revenue are recognized at the point at which the agreement is entered into. Recognition of an asset is contingent upon satisfying the criteria for such recognition. Valuation of the asset will be the fair value of the resource for which the right to use was acquired at the date of acquisition. The asset is depreciated over the shorter of the asset's useful life and the right-to-use term. Revenue is also recognized in the same amount as the asset, except to the extent that a liability is also recognized.

(c) Revenue recognition

Contributions

Voluntary contributions are non-exchange transactions that are recognized as revenue when contribution agreements become enforceable, or when cash is received in the absence of contribution agreements. Depending on the agreements, enforceability occurs upon signature alone or signature and receipt of deposit, or when conditions, if any, set out in contribution agreements are met. Revenue is shown net of returns of unused funds to donors and impairment of receivables.

Governments make pledges for regular resources voluntary contributions; however, in a few cases the pledged funds are not paid to UNCDF. As the probability of inflow is not certain, UNCDF does not treat those amounts as contingent assets.

In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNCDF and the fair value of these assets can be measured reliably. In-kind contributions recognize revenue from right-to-use arrangements at the fair value of the asset reported. UNCDF does not recognize or disclose contributions of services in kind as an asset and revenue.

(d) Expense recognition

Expenses are recognized when goods have been delivered or services rendered and accepted by UNCDF or by UNDP on its benalf or as specified below.

For direct implementation by UNCDF or full country-office support for national Government implementation, expenses are recognized when (non-capital) goods or services have been received by UNCDF.

For national implementation or implementation by non-governmental organizations, expenses are recognized when funds are disbursed by executing entities or implementing partners and reported to UNCDF.

Advances transferred to executing entities or implementing partners are recognized as expenses when goods are delivered or services rendered by the executing entities or implementing partners and confirmed by receipt by UNCDF of the applicable certified expense reports, such as financial reports, funding authorization and certification of expense forms or project delivery reports. Once these expense reports have been received, UNCDF recognizes expenses in its statement of financial performance. Data may be obtained from the audited statements of the executing entities or implementing partners or, when such statements are not available for the reporting period, from the entities' statements as submitted for audit or unaudited statements.

(e) Commitments, provisions and contingencies

Commitments

Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date that UNCDF has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded. Commitments include:

(i) Capital commitments: the aggregate amount of capital expenses contracted for but not recognized as paid or provided for at the end of the period;

(ii) Contracts for the supply of goods or services that UNCDF is expecting to be delivered in the ordinary course of operations;

(iii) Non-cancellable minimum lease payments;

(iv) Other non-cancellable commitments.

Provisions

A provision is recognized if, as a result of a past event, UNCDF has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in provision owing to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and the asset's value can be measured reliably, the asset and the related revenue are recognized in the period in which the change occurs.

Contingent liabilities

A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the period in which the change of probability occurs.

Note 5
Prior-period adjustments

Net prior-period adjustments recorded in 2013 totalled $2.523 million. For the following material prior-period adjustments, where there was impact relating to 2012, the comparative figures at the individual line item were retrospectively restated. Where there was impact for periods prior to 2012, net assets/equity was restated:

(a) (i) $1.587 million comprises mainly the result of the valuation of loans provided to financial service providers. The valuation carried out in compliance with IPSAS financial instruments standards was implemented effective 1 January 2013 and applied retrospectively. As a result of the valuation of the loans, an impairment loss of $1.324 million was recognized for the loans that were not performing. Moreover, a valuation loss of $0.158 million was recognized as a result of using the amortized cost method as prescribed in IPSAS. The remaining component of $0.105 million relates mainly to prior-year entries made in connection with loans paid by financial service providers but wrongly classified in our book as either miscellaneous income or reversal of grant expense, as well as loans disbursed to financial service providers but directly expensed, loss in the exchange rate and bank charges in connection with those loans. The effect of this adjustment is a decrease in loans to financial service providers;

(ii) $0.759 million represents advances that were provided by UNCDF to the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for implementing activities, and for which financial reports were received in 2012. However, in liquidating the advance, an amount of $0.403 million was erroneously not recorded as an expense in 2012. The other component of $0.356 million is the adjustment made for advances provided to

other implementing partners and liquidated, but using the expense account instead of clearing the outstanding advances. The effect of this adjustment is a decrease in net advances issued;

(iii) $0.125 million represents a correction made to reconcile the inter-fund balance between UNDP and UNCDF. The discrepancy arises owing to the duplicate income recognized in the UNCDF book in connection with a project refund made in 2009 and 2011. The effect of this adjustment is an increase in accounts payable and accrued liabilities; and

(b) (i) Immaterial prior-period adjustments recorded in 2013 that were not restated totalled a net amount of $0.052 million. They are adjustments made to capitalize assets that were expensed erroneously in previous years while the assets were being used by and under the control of UNCDF.

Note 6
Segment reporting

UNCDF classifies all its activities into four segments (regular resources; cost-sharing; trust funds; and reimbursable support services and miscellaneous activities) for purposes of evaluating its past performance in achieving its objectives and for making decisions about the future allocation of resources.

(a) Regular resources

Regular resources are all resources of UNCDF that are commingled, untied and unearmarked. These include voluntary contributions; contributions from other governmental, intergovernmental or non-governmental sources; and related interest earnings and miscellaneous revenue.

(b) Cost-sharing

Cost-sharing is a co-financing funding modality under which contributions can be received for specific UNCDF programme activities in line with UNCDF policies, aims and activities. This modality is used for the direct funding of a specific project or group of projects or part of a country programme. Use of donor contributions is normally limited to the duration of a particular project. Cost-sharing has a decentralized signatory authority, and agreements are signed at the country office level.

(c) Trust funds

Trust funds are a co-financing funding modality established as a separate accounting entity under which UNCDF receives contributions to finance programme activities specified by the contributor. Separate accounting records are kept for each individual trust fund, and financial reporting is at the level of the individual trust fund. Trust funds are required to be reported separately to the UNCDF Executive Board. Trust funds have a centralized signatory authority, and agreements have to be authorized by the Associate Administrator at the headquarters level. Each trust fund has specific terms of reference and a trust fund manager assigned to it.

(d) Reimbursable support services and miscellaneous activities

Reimbursable support services and miscellaneous activities are the resources of UNCDF other than those in the three categories mentioned above, which are received for a specific programme purpose consistent with the policies, aims and activities of UNCDF and for the provision of management and other support services to third parties.

In order to attribute assets to the appropriate segment, UNCDF has allocated cash and investments on the basis of the inter-fund balances between the four segments.

Statement of financial position as at 31 December 2013, by segment
(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total*	
	2013	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*
Assets										
Current assets										
Cash and cash equivalents	2 994	13 218	9 000	15 678	3 204	5 437	1 317	2 826	16 515	37 159
Investments	9 568	14 266	28 285	16 052	10 071	5 567	4 135	2 892	52 059	38 777
Receivables (non-exchange transactions)	3 260	–	–	–	–	–	438	–	3 698	–
Receivables (exchange transactions)	8 876	278	–	–	–	–	–	1	8 876	279
Advances issued	357	908	278	(10)	395	306	1	3	1 031	1 207
Loans to financial service providers	783	–	–	–	–	–	–	–	783	–
Inventories	–	–	–	–	–	–	2	–	2	–
Other current assets	–	87	–	88	–	3	–	–	–	178
Total current assets	**25 838**	**28 757**	**37 563**	**31 808**	**13 670**	**11 313**	**5 893**	**5 722**	**82 964**	**77 600**
Non-current assets										
Investments	1 730	4 815	5 571	5 600	1 984	1 942	814	1 009	10 699	13 366
Loans to financial service providers	273	1 417	274	273	–	–	–	(82)	547	1 608
Property, plant and equipment	496	357	106	60	10	1	73	70	685	488
Total non-current assets	**2 499**	**6 589**	**5 951**	**5 933**	**1 994**	**1 943**	**887**	**997**	**11 331**	**15 462**
Total assets	**28 337**	**35 346**	**43 514**	**37 741**	**15 664**	**13 256**	**6 780**	**6 719**	**94 295**	**93 062**

Statement of financial position as at 31 December 2013, by segment (continued)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total*	
	2013	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	320	7 775	178	318	395	225	2	30	895	8 348
Employee benefits	1 366	1 452	404	285	164	154	176	142	2 110	2 033
Other current liabilities	–	26	–	–	–	–	–	–	–	26
Total current liabilities	**1 686**	**9 253**	**582**	**603**	**559**	**379**	**178**	**172**	**3 005**	**10 407**
Non-current liabilities										
Employee benefits	8 722	11 802	894	1 605	448	807	654	1 088	10 718	15 302
Total non-current liabilities	**8 722**	**11 802**	**894**	**1 605**	**448**	**807**	**654**	**1 088**	**10 718**	**15 302**
Total liabilities	**10 408**	**21 055**	**1 476**	**2 208**	**1 007**	**1 186**	**832**	**1 260**	**13 723**	**25 709**
Net assets/equity										
Reserves	12 618	22 600	–	–	–	–	2 000	2 000	14 618	24 600
Accumulated surplus	5 311	(8 309)	42 038	35 533	14 657	12 070	3 948	3 459	65 954	42 753
Total net assets/equity	**17 929**	**14 291**	**42 038**	**35 533**	**14 657**	**12 070**	**5 948**	**5 459**	**80 572**	**67 353**
Total liabilities and net assets/equity	**28 337**	**35 346**	**43 514**	**37 741**	**15 664**	**13 256**	**6 780**	**6 719**	**94 295**	**93 062**

Statement of financial performance for the year ended 31 December 2013, by segment

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Elimination*[a]		*Total*	
	2013	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*	*2013*	*2012 (restated)*
Revenue												
Voluntary contributions, net	16 052	14 520	31 191	27 363	17 119	11 574	807	682	–	–	65 169	54 139
Investment revenue	239	206	134	110	53	51	–	–	–	–	426	367
Other revenue	593	645	37	13	8	5	2 540	2 378	(2 536)	(2 304)	642	737
Total revenue	**16 884**	**15 371**	**31 362**	**27 486**	**17 180**	**11 630**	**3 347**	**3 060**	**(2 536)**	**(2 304)**	**66 237**	**55 243**
Expenses												
Contractual services	2 271	3 079	3 582	2 544	1 454	1 586	205	157	–	–	7 512	7 366
Staff costs	9 297	9 402	5 309	3 348	1 737	1 470	1 897	1 837	–	–	18 240	16 057
Supplies and consumables used	318	457	84	51	164	104	17	1	–	–	583	613
General operating expenses	2 903	4 573	4 817	3 859	1 577	1 436	1 165	683	(2 536)	(2 304)	7 926	8 247
Grants and other transfers	3 187	5 271	11 638	6 648	9 962	4 933	–	–	–	–	24 787	16 852
Other expenses	508	1 254	163	93	54	53	59	72	–	–	784	1 472
Depreciation	64	239	10	32	1	2	12	56	–	–	87	329
Finance costs	7	8	–	–	16	–	–	–	–	–	23	8
Total expenses	**18 555**	**24 283**	**25 603**	**16 575**	**14 965**	**9 584**	**3 355**	**2 806**	**(2 536)**	**(2 304)**	**59 942**	**50 944**
Surplus/(deficit) for the period	**(1 671)**	**(8 912)**	**5 759**	**10 911**	**2 215**	**2 046**	**(8)**	**254**	**–**	**–**	**6 295**	**4 299**

[a] This adjustment is required to remove the effect of internal UNCDF cost recovery.

Note 7
Comparison to budget

The budget and the accounting basis are different. Statement V (statement of comparison of budget and actual amounts (regular resources)) is prepared on the budget basis, i.e., approved budgets of UNCDF are prepared on a modified cash basis. The presentation of activities and associated expenditures in statement V reflects the cost classification categories. It is noted that the statement of financial performance (statement II) reflects expenses by nature. For this reason, the total actual regular resources budget expenditure of $17.619 million differs from total financial accounting expenses.

For UNCDF, approved budgets are those that permit expenses to be incurred in relation to development and management activities to be funded from regular resources. The Fund's other resources are a forward estimate and projection based on assumptions about future events, and thus are not presented in statement V. In addition to the annual statement of comparison of budget and actual amounts (regular resources), at the end of the second year of the two-year period, UNCDF will present a biennial statement of comparison of budget and actual amounts (regular resources).

Statement V compares the final approved budget to actual amounts calculated on the same basis as the corresponding budget. There are no material differences between the original approved budget and the final approved budget.

Material differences between the original approved budget and the final approved budget are nil, as the original approved budget equates to the final approved budget. Budget utilization levels in 2013 and in the biennium 2012-2013 were driven by a combination of the following factors: (a) approved budget levels; (b) overall cash flow and liquidity requirements; and (c) requirements and implementation of the UNCDF strategic plan for 2014-2017.

Accordingly, utilization in the year 2013 against budget levels is as follows:

(a) Development activities: actual utilization of $15.098 million, representing 80.8 per cent of the annualized approved budget of $18.696 million;

(b) Management activities: actual utilization of $2.521 million, representing 51.8 per cent of the annualized approved budget of $4.870 million.

Accordingly, utilization in the biennium 2012-2013 against budget levels is as follows:

(a) Development activities: actual utilization of $35.521 million, representing 73.1 per cent of the annualized approved budget of $48.562 million;

(b) Management activities: actual utilization of $5.060 million, representing 67.5 per cent of the annualized approved budget of $7.493 million.

During 2013 and the biennium 2012-2013, UNCDF revised the annual spending limits, noting the reduced level of voluntary contributions. This resulted in lower budget expenditure compared with the annualized budget for 2013 and the two-year budget for 2012-2013 approved by UNCDF.

Actual net cash flows from operating activities, investing activities and financing activities as presented on a comparable basis reconcile to the amounts presented in the financial statements as follows:

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Total actual amount on a comparable basis as presented in statement V	**17 200**	**419**	**–**	**17 619**
Basis differences	52	6	–	**58**
Entity differences	(27 761)	(10 560)	–	**(38 321)**
Net increase/(decrease) in cash and cash equivalents from statement IV	**(10 509)**	**(10 135)**	**–**	**(20 644)**

A reconciliation of the biennium 2012-2013 statement V to statement IV is not prepared, as UNCDF does not present a biennial cash flow statement.

Basis differences include differences between the budget basis (modified cash) and accounting basis (accrual), which result primarily from purchase orders issued but not delivered. These are included in the budget basis but not in the accounting basis, as the delivery of goods and the rendering of services have not yet occurred for these undelivered purchase orders.

Entity differences between statement V and statement IV include the Fund's other resources, that is, amounts for cost-sharing, trust funds and reimbursable support services and miscellaneous activities that are incorporated into statement IV but not into statement V.

Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting period.

Note 8
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Cash in bank accounts	588	473
Money market funds	6 385	21 690
Money market instruments	9 999	14 996
Impairment	(457)[a]	–
Total	**16 515**	**37 159**

The Fund's exposure to credit risks is disclosed in note 25, Financial instruments and financial risk management.

[a] The impairment allowance of $(0.457) million is recognized in the statement of financial performance (see note 24, Expenses) for impairment relating to the valuation of certain non-convertible currencies held by UNCDF.

Note 9
Investment portfolio: held-to-maturity financial assets

(Thousands of United States dollars)

	1 January 2013	*Purchases*	*Maturities*	*Amortization*	*Realized gains (losses)*	*Reclassification non-current to current*	*31 December 2013*
Current investments							
Money market instruments	9 988	19 927	(10 000)	72	–	–	19 987
Bonds	28 789	12 403	(28 260)	(657)	–	19 797	32 072
Total current investments	**38 777**	**32 330**	**(38 260)**	**(585)**	**–**	**19 797**	**52 059**
Non-current investments							
Bonds	13 366	19 489	(2 502)	(459)	2	(19 797)	10 099
Total non-current investments	**13 366**	**19 489**	**(2 502)**	**(459)**	**2**	**(19 797)**	**10 099**
Total investments	**52 143**	**51 819**	**(40 762)**	**(1 044)**	**2**	**–**	**62 158**

As at 31 December 2013, UNCDF did not have any impairment on its investments. The Fund's exposure to credit risks and risk management activities related to investments is disclosed in note 25, Financial instruments and financial risk management.

Note 10
10.1 Receivables non-exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Contributions receivable	3 698	–
Total receivables non-exchange transactions	**3 698**	**–**

Ageing of receivables non-exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Less than 6 months	3 698	–
More than 6 months	–	–
Total receivables non-exchange transactions	**3 698**	**–**

Contributions receivable represent uncollected revenue committed to UNCDF by donors. As at 31 December 2013, UNCDF did not have any impairment on its receivables. The Fund's exposure to credit and currency risks related to receivables is disclosed in note 25, Financial instruments and financial risk management.

10.2 Receivables exchange transactions

(Thousands of United States dollars)

		x 31 December 2012
Receivables from the United Nations Development Programme	8 427	–
Receivables from the United Nations Entity for Gender Equality and the Empowerment of Women	10	–
Receivables from the United Nations Population Fund	–	5
Investments assets and receivables	437	272
Receivables from staff	2	–
Receivables from third parties	–	2
Total receivables exchange transactions	**8 876**	**279**

Ageing of receivables exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Less than 6 months	8 534	277
More than 6 months	342	2
Total receivables exchange transactions	**8 876**	**279**

The Fund's exposure to credit and currency risks related to receivables is disclosed in note 25, Financial instruments and financial risk management.

Note 11
Advances issued

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (restated)*
Non-exchange transactions		
Operating funds provided to Governments	440	54
Operating funds provided to executing entities/ implementing partners	71	71
Subtotal	**511**	**125**
Exchange transactions		
Prepaid advances	136	771
Advances to staff	400	311
Subtotal	**536**	**1 082**
Total advances issued, gross	**1 047**	**1 207**
Impairment	(16)[a]	–
Total advances issued, net	**1 031**	**1 207**

[a] The impairment allowance of $0.016 million is recognized in the statement of financial performance for unrecoverable staff advances (see note 24, Expenses).

Ageing of advances issued

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (restated)*
Less than 6 months	505	463
More than 6 months	542	744
Total	**1 047**	**1 207**

Note 12
Loans to financial service providers

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (restated)*
Current		
Loans to financial service providers	783	–
Total current loans to financial service providers	**783**	**–**
Non-current		
Loans to financial service providers	1 237	2 298
Impairment	(690)	(690)
Total non-current loans to financial service providers	**547**	**1 608**
Total loans to financial service providers	**1 330**	**1 608**

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (restated)*
Balance at 1 January	**1 608**	3 217
Loans revaluation	28	(812)
Valuation of loan	526	–
Loans repayment	(832)	(797)
Balance at 31 December	**1 330**	**1 608**

Note 13
Inventories

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Inventories		
Office supplies	2	–
Total inventories	**2**	**–**

Note 14
Other assets

At 31 December 2013, there were nil other assets (2012: $0.178 million).

Note 15
Property, plant and equipment

UNCDF has two broad categories of property, plant and equipment: project assets and management assets. Project assets, which constitute 93 per cent of total assets, are utilized in the delivery of UNCDF programmes/projects. Management assets, which constitute 7 per cent of total assets, are used for non-project specific operations at UNCDF country offices and headquarters. As at 31 December 2013, UNCDF had a gross carrying amount of $0.067 million of fully depreciated property, plant and equipment that was still in use.

In 2013, UNCDF reviewed the useful lives of its classes of assets. As expectations differed from previous estimates, UNCDF revised the useful lives of several classes of assets (see note 4 for revised useful lives). This revision was accounted for prospectively as a change in accounting estimate.

Total assets
(Thousands of United States dollars)

	Furniture and fixtures	*Communications and information technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Total*
Balance at 1 January 2013					
Cost	15	440	779	22	1 256
Accumulated depreciation	(4)	(248)	(510)	(6)	(768)
Carrying amount at 1 January 2013	**11**	**192**	**269**	**16**	**488**
Period ended 31 December 2013					
Additions	87	72	218	–	377
Disposals	–	(3)	–	–	(3)
Transfers, retirements and adjustments	(7)	(40)	(236)	–	(283)
Depreciation	(4)	(36)	(46)	(1)	(87)
Adjustments to accumulated depreciation, i.e., disposals, retirements and adjustments	2	39	151	1	193
Carrying amount at 31 December 2013	**89**	**224**	**356**	**16**	**685**
Balance at 31 December 2013					
Cost	95	469	761	22	1 347
Accumulated depreciation	(6)	(245)	(405)	(6)	(662)
Carrying amount at 31 December 2013	**89**	**224**	**356**	**16**	**685**

Project assets

(Thousands of United States dollars)

	Furniture and fixtures	*Communications and information technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Total*
Balance at 1 January 2013					
Cost	12	382	779	22	1 195
Accumulated depreciation	(4)	(229)	(510)	(6)	(749)
Carrying amount at 1 January 2013	**8**	**153**	**269**	**16**	**446**
Period ended 31 December 2013					
Additions	84	65	218	–	367
Disposals	–	(3)	–	–	(3)
Transfers, retirements and adjustments	(7)	(40)	(236)	–	(283)
Depreciation	(4)	(29)	(46)	(1)	(80)
Adjustments to accumulated depreciation, i.e., disposals, retirements and adjustments	2	37	151	1	191
Carrying amount at 31 December 2013	**83**	**183**	**356**	**16**	**638**
Balance at 31 December 2013					
Cost	89	404	761	22	1 276
Accumulated depreciation	(6)	(221)	(405)	(6)	(638)
Carrying amount at 31 December 2013	**83**	**183**	**356**	**16**	**638**

Management assets
(Thousands of United States dollars)

	Furniture and fixtures	*Communications and information technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Total*
Balance at 1 January 2013					
Cost	3	58	–	–	61
Accumulated depreciation	–	(19)	–	–	(19)
Carrying amount at 1 January 2013	**3**	**39**	**–**	**–**	**42**
Period ended 31 December 2013					
Additions	3	7	–	–	10
Disposals	–	–	–	–	–
Transfers, retirements and adjustments	–	–	–	–	–
Depreciation	–	(7)	–	–	(7)
Adjustments to accumulated depreciation, i.e., disposals, retirements and adjustments	–	2	–	–	2
Carrying amount at 31 December 2013	**6**	**41**	**–**	**–**	**47**
Balance at 31 December 2013					
Cost	6	65	–	–	71
Accumulated depreciation	–	(24)	–	–	(24)
Carrying amount at 31 December 2013	**6**	**41**	**–**	**–**	**47**

As at 31 December 2013, UNCDF did not have any impairment on property, plant and equipment.

Note 16
Accounts payable and accrued liabilities
(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (restated)*
Payables to third parties	629	418
Accruals	222	73
Payables to staff	20	14
Payables to the United Nations Office for Project Services	24	–
Payables to the United Nations Entity for Gender Equality and the Empowerment of Women	–	3
Payables to the United Nations Development Programme	–	7 810
Total accounts payable and accrued liabilities	**895**	**8 348**

Note 17
Employee benefits

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Current		
Annual leave	1 430	1 415
Home leave	280	224
After-service health insurance	93	192
Repatriation entitlements	260	156
Death benefits	3	4
Accrued contribution to the United Nations Joint Staff Pension Fund	–	1
Other employee benefits	44	41
Subtotal	**2 110**	**2 033**
Non-current		
After-service health insurance	7 806	12 448
Repatriation entitlements	1 719	1 709
Home leave	135	135
Death benefits	23	31
Other employee benefits	1 035	979
Subtotal	**10 718**	**15 302**
Total	**12 828**	**17 335**

Employee benefits are established in accordance with the Staff Rules and Staff Regulations of the United Nations. The liabilities arising from post-employment benefits are determined by independent actuaries. As at 31 December 2013, liabilities for after-service health insurance, repatriation entitlements and death benefits were determined by the actuarial valuation conducted as at 31 December 2013.

(a) United Nations Joint Staff Pension Fund

The financial obligation of UNCDF to the United Nations Joint Staff Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

The actuarial valuation performed as at 31 December 2011 revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2011 was 25.57 per cent of pensionable remuneration, compared with the actual contribution rate of 23.7 per cent. The actuarial deficit was attributable primarily to the lower-than-expected investment experience in recent years. The next actuarial valuation was conducted as at 31 December 2013 and was not available as at the date of the finalization of these UNCDF 31 December 2013 financial statements.

At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2011, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Pension Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

In July 2012, the Pension Board noted, in its report on its fifty-ninth session to the General Assembly, that an increase to 65 in the normal age of retirement for new participants of the Pension Fund was expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. In December 2012 and April 2013, the Assembly authorized an increase to age 65 in the normal retirement age and the mandatory age of separation, respectively, for new participants of the Pension Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the Assembly in December 2013.

During 2013, UNCDF contributions to Pension Fund amounted to $3.12 million (2012: $2.77 million). The amounts included the organizational share as well as the contributions made by the participants. Expected contributions due in 2014 will depend on the staffing levels and any changes in the pensionable remuneration scales, estimated at $3.2 million.

(b) Defined benefit plans

In addition to the Pension Fund, UNCDF provides its staff and former staff with the following defined benefit plans, which are actuarially valued: after-service health insurance; end-of-service entitlements such as repatriation entitlement; and other benefits such as death benefits.

The movements in the present value of the defined benefit obligation for these plans are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Net defined benefit obligation at 1 January 2013	12 640	1 865	35	14 540
Increase in the obligation				
Current service cost	880	237	7	1 124
Interest cost	502	71	1	574
Actuarial losses on disbursements	–	163	–	163
Decrease in the obligation				
Actuarial (gains) from change in assumptions	(5 927)	(35)	(13)	(5 975)
Actual benefits paid	(60)	(322)	–	(382)
Actuarial (gains) on disbursements	(136)	–	(4)	(140)
Net recognized liability at 31 December 2013	**7 899**	**1 979**	**26**	**9 904**

The value of the defined benefit obligation equals the defined benefit liability that is recognized in the statement of financial position.

The current service cost and interest cost recognized in the statement of financial performance are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Current service cost	880	237	7	1 124
Interest cost	502	71	1	574
Total employee benefits expenses recognized	**1 382**	**308**	**8**	**1 698**

The actuarial losses recognized in net assets/equity directly are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Actuarial gains from change in assumptions	5 927	35	13	5 975
Actuarial gains/(losses) on disbursements	136	(163)	4	(23)
Total	**6 063**	**(128)**	**17**	**5 952**

The next comprehensive actuarial valuation will be conducted as at 31 December 2014.

(c) Actuarial assumptions

The last actuarial valuation for after-service health insurance, repatriation and death benefits was conducted as at 31 December 2013, and the principal actuarial assumptions used to determine the defined benefit obligation are as follows:

Single equivalent discount rate:	
– After-service health insurance	4.87 per cent
– Repatriation benefits	4.24 per cent
– Death benefits	4.09 per cent
Expected rate of medical cost increase for after-service health insurance (varies by medical plan)	5-7.3 per cent
Salary scale (varying by age and staff category)	5.5-10.8 per cent
Rate of inflation	2.50 per cent
Per capita claim cost (varies by age)	$897-$12,646
Actuarial method	Projected unit credit

Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

	Rate of death pre-retirement	
Category	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

	Rate of death post-retirement	
Category	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

The rates of retirement for professionals with 30 or more years of professional service hired on or after 1 January 1990 are as follows:

	Rate of retirement	
Category	*At age 55*	*At age 62*
Male	0.16	0.70
Female	0.20	0.80

Sensitivity analysis

If the assumptions about medical cost trends described above were to change, this would affect the measurement of the after-service health insurance obligation as follows:

(Thousands of United States dollars)

	+1 per cent health costs	*-1 per cent health costs*
Effect of change in discount rate on year-end accumulated defined benefit obligation	2 317	(1 287)
Effect of change in expected rate of medical costs on combined service and interest cost components of net periodic post-employment medical costs	341	(264)

(d) Termination benefits

No termination benefits are recognized for the reporting period.

Note 18
Other liabilities

At 31 December 2013, there were nil other liabilities (2012: $0.026 million).

Note 19
Reserves

(Thousands of United States dollars)

	1 January 2013	*Movements*	*31 December 2013*
Operational reserve	24 600	(9 982)	14 618
Total reserves	**24 600**	**(9 982)**	**14 618**

The operational reserve, established in 1979 by the Governing Council (now the Executive Board) to ensure adequate liquidity for UNCDF, is maintained at the level of 20 per cent of project commitments.

Note 20
Accumulated surpluses

(Thousands of United States dollars)

	1 January 2013	*Movements*	*31 December 2013*
Accumulated surpluses	43 207	16 277	59 484
Funds with specific purposes	775	920	1 695
Actuarial (losses)/gains	(1 229)	5 952	4 723
Prior-period adjustments	–	52	52
Total	**42 753**	**23 201**	**65 954**

Movements in the accumulated surplus of $16.277 million comprise: surplus for the year of $6.295 million, funds with specific purposes of $0.920 million and operational reserve transfer to accumulated surplus of $9.982 million. The movement in funds with specific purposes include the information communications technology fund ($0.15 million), the security fund ($0.4 million), the learning fund ($0.083 million), reimbursement costs for United Nations jointly financed activities ($0.175 million), the accrued repatriation surcharge fund ($0.062 million), the appendix D fund ($0.03 million) and the malicious acts insurance policy premium ($0.02 million).

Note 21
Voluntary contributions

(Thousands of United States dollars)

	2013	*2012*
Contributions	65 184	54 822
Less: Returns to donors of unused contributions	(15)	(683)
Total voluntary contributions, net	**65 169**	**54 139**

Note 22
Investment revenue

(Thousands of United States dollars)

	2013	*2012*
Interest revenue	426	367
Total	**426**	**367**

Investment revenue represents interest plus amortized discount, net of amortized premium, earned on the UNCDF investment portfolio. In addition, it includes interest earned on bank account balances and loans to financial service providers.

Note 23
Other revenue

(Thousands of United States dollars)

	2013	*2012 (restated)*
Foreign exchange gains	101	414
Loan valuation and other miscellaneous revenue	541	323
Total	**642**	**737**

Note 24
Expenses

(Thousands of United States dollars)

	Programme expenses[a] 2013	*Total expenses 2013*	*Programme expenses[a] 2012 (Restated)*	*Total expenses 2012 (restated)*
24.1 Contractual services				
Contract services with individuals	6 440	6 614	5 556	5 736
Contract services with companies	738	792	1 437	1 439
United Nations Volunteers expenses for contractual services	74	106	153	191
Subtotal	**7 252**	**7 512**	**7 146**	**7 366**
24.2 Staff costs				
Salary and wages	6 712	11 538	6 801	10 920
Pension benefits	1 226	2 127	1 215	1 951
Post-employment	1 004	2 042	602	1 025
Appointment and assignment	786	1 181	683	880
Leave benefits	326	373	377	444
Other staff benefits	523	979	532	837
Subtotal	**10 577**	**18 240**	**10 210**	**16 057**
24.3 Supplies and consumables used				
Maintenance costs for property, plant and equipment and project-related supplies	202	221	152	228
Stationery and other office supplies	91	124	56	83
Agricultural, petroleum and metal products	76	81	74	80
Information technology supplies and software maintenance	76	78	55	64
Information technology and communications equipment	45	44	61	65
Other consumables used	32	35	83	93
Subtotal	**522**	**583**	**481**	**613**
24.4 General operating expenses				
Travel	2 635	2 758	3 464	3 561
Learning and recruitment	1 185	1 285	1 335	1 417
Rent, leases, utilities	579	892	263	708
Reimbursement	146	807	9	671
Communications	563	723	370	468
Security	238	418	238	384
Professional services	377	377	352	373
General management costs	2 552[b]	21	2 505	205
Contribution to United Nations jointly financed activities	102	176	104	168
Contribution to information and communications technology	87	158	86	140
Freight	16	20	58	63
Insurance/warranties	28	33	25	26
Miscellaneous operating expenses	159	258	41	63
Subtotal	**8 667**	**7 926**	**8 850**	**8 247**

	Programme expenses[a] 2013	*Total expenses 2013*	*Programme expenses[a] 2012 (Restated)*	*Total expenses 2012 (restated)*
24.5 Grants and other transfers				
Grants	24 680	24 680	16 834	16 834
Transfers	32	107	14	18
Subtotal	**24 712**	**24 787**	**16 848**	**16 852**
24.6 Other expenses				
Foreign exchange losses	29	48	933	933
Losses on sale of fixed assets	91	117	167	237
Sundries	112	146	258	302
Impairment	–	473[c]	–	–
Subtotal	**232**	**784**	**1 358**	**1 472**
24.7 Depreciation				
Depreciation	71	87	270	329
Subtotal	**71**	**87**	**270**	**329**
24.8 Finance costs				
Bank charges	23	23	8	8
Subtotal	**23**	**23**	**8**	**8**
Total	**52 056**	**59 942**	**45 171**	**50 944**

[a] Of the total expenses, $52.056 million represents programme expenses and the remaining $7.886 million represents development effectiveness and management.
[b] Of the $2.552 million, $2.536 million is eliminated to remove the effect of internal UNCDF cost recovery.
[c] Of the $0.473 million impairment, UNCDF recognized $0.016 million in the statement of financial performance for unrecoverable staff advances (see note 11, Advances issued) and $0.457 million for the devaluation of certain non-convertible currencies held by UNCDF (see note 8, Cash and cash equivalents).

Note 25
Financial instruments and financial risk management

UNCDF is exposed to a variety of financial risks, including:

- Credit risk: risk of financial loss to UNCDF if counterparties to a financial asset do not meet their contractual obligations;
- Liquidity risk: risk that UNCDF might not have adequate funds to meet its obligations as they fall due; and
- Market risk: risk that UNCDF might incur financial losses on its financial assets owing to unfavourable movements in foreign currency exchange rates interest rates and/or prices of investment securities.

UNCDF investment activities are carried out by UNDP under a service level agreement. Under the terms of the service level agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNCDF. Investments are registered in the UNCDF name, and marketable securities are held by a custodian appointed by UNDP.

- Safety: preservation of capital, provided through investing in high-quality, fixed-revenue securities emphasizing the creditworthiness of the issuers;
- Liquidity: flexibility to meet cash requirements through investments in highly marketable, fixed-income securities and through structuring maturities to align with liquidity requirements; and
- Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

The UNDP Investment Committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UNCDF receives a detailed monthly investment performance report from UNDP that shows the composition and performance of the investment portfolio. UNCDF offices review these reports on a regular basis.

UNCDF financial regulations and rules describe the financial regulations and rules applicable to all UNCDF operations worldwide. The regulations and rules are applicable to all funds and programmes administered by UNDP and establish the standards of internal control and accountability within the organization.

There were no significant changes in the UNCDF risk management framework in 2013.

The table below show the value of financial assets outstanding at year-end based on the IPSAS classifications adopted by UNCDF:

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*Loans and receivables*	*Fair value through surplus or deficit*	*Book value*	
					2013	*2012 (restated)*
Cash and cash equivalents	–	–	16 515	–	16 515	37 159
Investments	62 158	–	–	–	62 158	52 143
Receivables: non-exchange	–	–	3 698	–	3 698	–
Receivables: exchange	–	–	8 876	–	8 876	279
Advances	–	–	1 031	–	1 031	1 207
Loans to financial service providers	–	–	1 330	–	1 330	1 608
Total financial assets	**62 158**	**–**	**31 450**	**–**	**93 608**	**92 396**

Held-to-maturity financial assets are carried at amortized cost, and, at 31 December 2013, the market value of these assets exceeded book value by $0.015 million. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2013, UNCDF had no outstanding balances of financial assets classified as available for sale or fair value through surplus or deficit.

The table below shows the value of financial liabilities outstanding at year-end based on the IPSAS classifications adopted by UNCDF.

(Thousands of United States dollars)

	Other financial liabilities	Fair value through surplus or deficit	Book value 2013	Book value 2012 (restated)
Accounts payable and accrued liabilities	895	–	895	8 348
Other liabilities	–	–	–	26
Total financial liabilities	**895**	**–**	**895**	**8 374**

As at 31 December 2013, UNCDF had no outstanding financial liabilities recorded at fair value through surplus or deficit. The carrying value of other liabilities is a reasonable approximation of their fair value.

Analysis of the Fund's credit risk

UNCDF is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, financial instruments, receivables (exchange and non-exchange), advances and loans to financial service providers.

UNCDF uses UNDP local bank accounts for its day-to-day financial commitments and does not receive contributions at the country office level. All contributions are made directly to UNCDF or UNDP contribution accounts at UNDP headquarters.

With regard to its financial instruments, the investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies set out in the investment guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereigns, supranationals, governmental or federal agencies and banks. Investment activities are carried out by UNDP.

Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate the credit risk of financial instruments. As at 31 December 2013, the Fund's financial investments were in investment-grade instruments, as shown in the table below (presented using Standard & Poor's rating convention).

Concentration by credit rating

(Thousands of United States dollars)

31 December 2013	AAA	AA-	AA-	A	Total
Money market instruments	–	–	9 988	9 999	19 987
Bonds	29 867	5 065	–	7 239	42 171
Total	**29 867**	**5 065**	**9 988**	**17 238**	**62 158**

31 December 2012	*AAA*	*AA+*	*AA to AA-*	*A*	*BB+ to BBB-*	*Total*
Money market instruments	9 989	–	–	–	–	9 989
Bonds	34 873	–	7 281	–	–	42 154
Total	**44 862**	**–**	**7 281**	**–**	**–**	**52 143**

Note: Excludes investments classified as cash equivalents.

The credit risk exposure of UNCDF on outstanding non-exchange receivables is mitigated by its financial regulations and rules, which require that, for other resources, expenses be incurred after the receipt of funds from donors. Incurring expenses prior to the receipt of funds is permitted only if specified risk management criteria with regard to the obligor are met. In addition, a large portion of the contributions receivable is due from sovereign Governments and supranational agencies, and private sector donors that do not have significant credit risk.

The investment management function is performed by the UNDP treasury. UNCDF offices do not routinely engage in investment activities.

For other resources, UNCDF financial regulations and rules require that expenses be incurred after the receipt of funds from the donor, thereby considerably reducing the financial risk to UNCDF with regard to contributions receivable. Incurring expenses prior to the receipt of funds is permitted only if specified risk management criteria are adhered to with regard to the amount receivable. In addition, a large portion of contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk.

Analysis of the Fund's liquidity risk

Liquidity risk is the risk that UNCDF might be unable to meet its obligations, including accounts payable and accrued liabilities, refunds to donors and other liabilities, as they fall due.

Investments are made with due consideration to the Fund's cash requirements for operating purposes based on cash flow forecasting. The investment approach considers the timing of future funding needs of the organization when selecting investment maturities. UNCDF maintains a portion of its cash and investments in cash and cash equivalents (21 per cent) and current investments (66 per cent) sufficient to cover its commitments as and when they fall due, as shown in the table below.

(Thousands of United States dollars)

	31 December 2013	*Percentage*	*31 December 2012*	*Percentage*
Cash balances	131	0	473	1
Cash equivalents	16 384	21	36 686	41
Total cash and cash equivalents	**16 515**	**21**	**37 159**	**42**
Current investments	52 059	66	38 777	43
Non-current investments	10 099	13	13 366	15
Total short- and long-term investments	**62 158**	**79**	**52 143**	**58**
Total investments, cash and cash equivalents	**78 673**	**100**	**89 302**	**100**

UNCDF surplus cash is invested in highly liquid short-term financial instruments, as shown in the table below.

Composition of cash equivalents

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Money market funds	6 385	21 690
Time deposits	–	14 996
Money market instruments	9 999	–
Overnight investments	–	–
Cash equivalents	**16 384**	**36 686**

UNCDF further mitigates its liquidity risk through its financial regulations and rules, which prohibit offices from entering into commitments, including purchase commitments, unless a budget already exists. Spending is possible after funds have been received and budgets in the Fund's enterprise resource planning system have been updated. Spending ability is constantly revised as commitments are made and expenditures incurred. Spending in the absence of a funded budget has to comply with UNCDF risk management guidelines.

Analysis of the Fund's market risk

Market risk is the risk that UNCDF will be exposed to potential financial losses owing to unfavourable movements in the market prices of financial instruments, including movements in interest rates, exchange rates and prices of securities.

Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

The Fund's investment portfolio is classified as held to maturity, which is not marked to market. Because held-to-maturity book carrying values are not affected by changes in interest rates, as shown in the interest rate sensitivity table below, changes in interest rates will have no impact on net assets and surplus/deficit reported in the financial statements.

Interest rate sensitivity analysis

(Thousands of United States dollars)

	Impact to the financial statements	
Sensitivity variation	*Net assets*	*Surplus or deficit*
100 basis point increase	–	–
50 basis point decrease	–	–

UNCDF invests in United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2013, UNCDF had no outstanding floating rate fixed-income securities.

Foreign exchange risk

UNCDF is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

UNCDF receives donor contributions primarily in United States dollars and euros. Any contributions received other than in United States dollars are converted immediately to United States dollars using the prevailing exchange rate, since UNCDF holds all funds in United States dollar accounts. At 31 December 2013, all UNCDF investments were denominated in United States dollars.

Accounts payable/accrued liabilities do not constitute any foreign exchange risks.

As shown in the table below, a large portion of UNCDF financial assets and financial liabilities are denominated in United States dollars, thereby reducing overall foreign currency risk exposure.

Currency risk exposure

(Thousands of United States dollars)

	United States dollars	*Other currencies*	*31 December 2013*	*31 December 2012*
Cash and cash equivalents	16 492	23	16 515	37 159
Investments	62 158	–	62 158	52 143
Receivables, non-exchange transactions	3 698	–	3 698	–
Receivables, exchange transactions	8 876	–	8 876	279
Advances issued	1 031	–	1 031	1 207
Loans to financial service providers	456	874	1 330	1 608
Total financial assets	**92 711**	**897**	**93 608**	**92 396**
Accounts payable and accrued liabilities	895	–	895	8 348
Other current liabilities	–	–	–	26
Total financial liabilities	**895**	**–**	**895**	**8 374**

The UNDP treasury uses derivative instruments such as foreign exchange forwards, options and structured options to manage UNCDF foreign exchange exposure. These derivatives are marked to market, with gains or losses recognized in surplus or deficit in the statement of financial performance. At 31 December 2013, UNCDF had no open derivative positions.

Other price risk

UNCDF is exposed to price risk arising from movements in the prices of financial instruments that might fluctuate owing to factors other than changes in interest rates or currency fluctuations. The conservative nature of the investment guidelines mitigates potential exposure to other price risk.

Note 26
Related parties

(a) Key management personnel

The Fund's leadership structure consists of a four-member Executive Group: the Executive Secretary, the Deputy Executive Secretary and two Directors of the Practice Areas. The Executive Group is responsible for the strategic direction and operational management of UNCDF and is entrusted with significant authority to execute the Fund's mandate.

(b) Remuneration

(Thousands of United States dollars)

Tier	*Number of posts*	*Salary and post adjustment*	*Other entitlements*	*Total remuneration*	*Annual leave, repatriation and after-service health insurance liability*
Key management personnel	4	883	176	1 060	149
Total	**4**	**883**	**176**	**1 060**	**149**

The remuneration paid to key management personnel includes salary, post adjustment and other entitlements as applicable, such as assignment grants, employer contribution to health insurance and pension, dependency allowance, education grants, hardship, mobility and non-removal allowance, real estate agency reimbursement and representation allowance.

Key management personnel are also eligible for post-employment employee benefits such as after-service health insurance, repatriation benefits and payment of unused annual leave.

(c) Advances

Staff advances are referred to as salary advances at UNCDF. Salary advances are available to all UNCDF staff, including key management personnel, for specific purposes as provided for in the Staff Rules and Staff Regulations of the United Nations. At 31 December 2013, the balance of $0.093 million represented salary advances made to three key management personnel.

Note 27
Commitments and contingencies

(a) Open commitments

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (reclassified)*
Property, plant and equipment	12	139
Goods	21	2
Services	800	274
Total	**833**	**415**

At 31 December 2013, UNCDF commitments for the acquisition of various goods and services contracted but not received amounted to $821,000, and acquisition of property, plant and equipment contracted but not received amounted to $12,200.

(b) Lease commitments by term

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (reclassified)*
Obligations for property leases		
Less than 1 year	308	141
1 to 5 years	1 234	599
Over 5 years	–	–
Total	**1 524**	**740**

UNCDF contractual leases are typically between 5 and 10 years; however, some leases permit early termination within 30, 60 or 90 days. The table above

presents future obligations for the minimum lease term/contractual term of the lease payment.

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (reclassified)*
Obligations for operating leases		
Less than 1 year	20	–
1 to 5 years	3	40
Over 5 years	–	–
Total	**23**	**40**

UNCDF has a lease of three photocopiers for a period of 36 months from the beginning of 2012 to the end of 2014. The lease falls under the classification of an operating lease, since the risks and rewards are not fully transferred to UNCDF. The obligation is $1,652 per month, for a total of $19,824 per year.

(c) Contingencies

As at the reporting date, UNCDF had no contingent assets and no contingent liabilities.

Note 28
Events after reporting date

The reporting date for the present financial statements is 31 December 2013. No material events, favourable or unfavourable, occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have materially affected the statements.

Note 29
Additional disclosure

All trust funds established by the United Nations Capital Development Fund: schedule of financial performance

(Thousands of United States dollars)

Name of trust fund	*Opening net assets 1 January 2013*	*Revenue*	*(Expenses)*	*Adjustments recognized directly in closing net assets*	*Closing net assets 31 December 2013*
Belgium — Anseba Local Development Fund	473	3	–	–	476
Belgium — Appui au développement communal et aux initiatives locales	–	1	–	–	1
Belgium — Projet d'appui au développement local de la région de Mayahi	(1)	1	–	–	–
Belgium — Projet d'appui au développement local de la region de N'guigmi	–	1	–	–	1
Belgium (Belgian Fund for Food Security) — Programme conjoint à Nara-Nioro	804	1 616	(666)	–	1 754
Belgian Fund for Food Security — Programme d'appui au développement économique local	970	1 077	(1 466)	–	581
Belgian Fund for Food Security — Projet d'appui à la décentraitsation, à la déconcentration et au développement économique local au Bénin	246	1 103	(584)	–	765
Bill and Melinda Gates Foundation — Least Developed Countries Fund	4 034	1 782	(3 025)	124	2 915
Canada (Canadian International Development Agency) — Appui à la gouvernance locale dans le département du Nord-Est en Haïti	128	–	(15)	–	113
CGAP (Consultative Group to Assist the Poor) — Joint Donor Training Initiative	–	(1)	–	–	(1)
Belgian Fund for Food Security — Collectivités territoriales et développement local à Tombouctou et à Mopti-Mali	505	1	(183)	–	323
Belgian Fund for Food Security — Projet d'appui au développement communautaire en province de Byumba — Rwanda	282	1	–	–	283
France — Projet d'appui à la commune urbaine de Diffa — Niger	137	1	–	–	138
France — Projet d'appui à la décentralisation et au développement local — Mauritanie	265	1	2	–	268
Japan — District Development Programme 2 — Gender Mainstreaming Component	120	1	–	–	121
Luxembourg — Mali project	27	–	(25)	–	2
Luxembourg — Programme d'appui à la décentralisation en milieu rural	193	1	–	–	194
Multi-donor trust fund — (UNDP AA) One United Nations funds and joint programmes	1 599	9 647	(7 688)	248	3 806
Spain — Millennium Development Goals — Water and sanitation	4	–	–	–	4
Spain — Spain Millennium Development Goals	15	–	–	–	15

Name of trust fund	*Opening net assets 1 January 2013*	*Revenue*	*(Expenses)*	*Adjustments recognized directly in closing net assets*	*Closing net assets 31 December 2013*
Sweden — United Nations advisory group	23	–	–	–	23
Multi-donor trust fund — Livelihoods and food security fund	2 246	1 945	(1 328)	–	2 863
United Nations Fund for International Partnerships — International Year of Microcredit, 2005	–	–	11	–	11
United Nations Fund for International Partnerships — United Nations advisory services	–	(1)	2	–	1
Total	**12 070**	**17 180**	**(14 965)**	**372**	**14 657**

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